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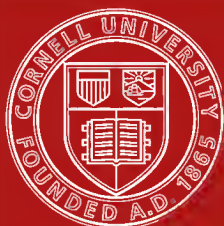
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THE TRIUMPH OF FREE TRADE

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THE TRIUMPH OF FREE TRADE

AND OTHER ESSAYS AND SPEECHES

BY

RUSSELL REA

LATE MEMBER OF HIS MAJESTY'S COUNCIL

SOMETIME MEMBER OF PARLIAMENT FOR GLOUCESTER AND SOUTH SHIELDS

WITH AN INTRODUCTION BY

C. F. G. MASTERMAN

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“I hold it is unnecessary that any family in Europe, outside Russia, should suffer from want of abundance of good food, or should lack sufficient clothing both for warmth and beauty; or a well built and drained house with sufficient accommodation for health and decent living. I hold that anything short of this standard is extravagant and wasteful, just as it is extravagant and wasteful to underfeed or badly house horses or cattle. And until this standard is attained at the lowest, discontent is a duty. It must precede and accompany all progress; and it is a most hopeful sign that the British working man has learnt in whatever state he may be, therewith to be discontented.”

RUSSELL REA—*Liberty and Labour.*

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INTRODUCTION

THE greater part of political controversy, in essays and speeches, lives and dies with the time of its utterance. Like good journalism it applies itself to the events of the day : and when that day is over, it is content to perish. The mass of political discussion which once filled platform and press belongs to questions one way or the other finally decided. The historian who burrows amongst piles of manuscript for some tiny piece worth preservation is for ever astonished at the heat expended and the energy and passion excited by things which so soon after appear so trivial and so dull. And in the case of speeches this is especially true. The better a speech—it may almost be said—for the moment, the more speedy its demise. For in the cut and thrust of debate, the utterance for the occasion—in repartee and reply, in the warm influence of the platform—is always more effective than the speech which omits these ephemera and endeavours to pronounce on a question as it will be viewed after a generation has gone.

These considerations made me doubtful whether in impartial examination of the printed and manuscript speeches and writings of my friend the late Mr. Russell Rea, there would be much worth reproducing four years after his death. He wrote out all his utterances

indeed with a firm and careful preparation. There is much—perhaps most—of the mass of stuff thus accumulated over nearly twenty years of public life which could be of no interest to any but his intimate friends. The whole active life of a typical member of Parliament of a provincial English Constituency is here unrolled. There are speeches of gratitude on adoption. There are speeches of gratitude on election. There are speeches of regret at rejection. There are speeches at dinners to the local Chamber of Commerce, the local Commercial Travellers, the local Railway Servants, the local Liberal Club. There are speeches which give to the constituency account of his work as member of the House of Commons, and speeches in the House of Commons giving an account of the wants of his constituency. There are speeches, when he is member for Gloucester, on the greatness and glory of Gloucester, and speeches, when he is member for South Shields, on the greatness and glory of South Shields. All these, though excellent, clear, and often informative examples of the work of a British member of Parliament before the war, would not be worthy of reproduction in a world which forgets nothing so quickly as the political “persons of importance” of each generation.

But imbedded in these is much that is evidently deserving of a less rapid extinction. To this class belongs first, most of the essays and some of the speeches produced by the Free Trade Controversy. Mr. Russell Rea, when the challenge came, proved one of the most sturdy and convincing champions of the accepted economic system. Many of these were collected together in a previously published volume. *British Free Trade* (Macmillan & Co.). I have selected from these some

which have more than transitory interest and added to them others, previously unpublished in volume form. The Free Trade controversy appears likely to be permanent. The arguments used by Mr. Russell Rea are as fresh to-day and vital to post-war problems as they were to pre-war controversy ten years ago. Those who are compelled to continue the discussion will find much here of permanent value—in temperate, lucid statement, in breadth of outlook, in wealth of illustration, in a reasonable appeal.

To these I have added a series of writings in which Mr. Russell Rea, a progressive Radical, showed himself in advance of his time. In discussion of problems such as that of the nationalisation of railways and mines, the relation of the Radical creed of Social Reform to the creed of Socialism, the progress of Labour towards Liberty, the payment of the costs of the war, the proper incidence of taxation, he is dealing with the pressing problems of the hour. And those who read his discussion of them will find much that is extraordinarily helpful and appropriate to the debate of to-day.

I have added to these a few occasional papers such as his study of the late Lord Salisbury, a piece of work, not only able and distinguished in itself, but also revealing much of the faith of the writer. I have inserted one or two speeches and writings which show something of the man and his outlook upon life, which may be of less interest to the general reader than to those privileged to be included amongst his friends. Of such is the trilogy of the three last speeches he made to his constituents in the summer of 1914. The first is purely political—the rejoicing over the triumph of a Radical cause. The second shows where his heart really lay—

in the material improvement of the lives of the people. And the third exhibits how, when unexpected calamity brushed all these things out of human view, an advanced Radical and Social Reformer a "little Englander" and lover of peace, confronted the challenge of a righteous war.

In this introduction I propose not so much to give an account of a life in the main uneventful, or the estimate of a character of integrity and simplicity: but largely through quotation from his own speeches and published utterances to show his general attitude in public affairs in the years during which he himself was actively engaged in them.

Mr. Russell Rea was born in Manchester in 1846, son of Daniel Key Rea, a calico printer. He was educated at the Liverpool Collegiate School and at the age of twenty had entered into business on his own account as a colliery agent. Through years of hard work, broken by periods of ill-health he built up the great business of R. and J. H. Rea, Shipowners and Lightermen. Before he entered upon politics his inside knowledge of shipping, coal and railways was unchallengeable. He was Deputy Chairman of the Taff Vale Railway and a member of the Council of the Railway Association. Except as deflected in early life by a certain admiration for Disraeli, he had always been a strong Radical. He attempted to enter Parliament at a bye-election for the Exchange Division of Liverpool in 1897, but lost by a few votes after a recount, having first been declared elected. In 1900, in the "khaki" election he accomplished the remarkable feat of winning a Tory seat at Gloucester. He thoroughly enjoyed political life, and became more

and more completely absorbed in the atmosphere of the House of Commons. His business experience combined with a power of conciliation and a lucidity of thought and statement caused his services to be much sought for in the work of Parliamentary Committees. He was chairman of the committee on the miners' eight hours day, which resulted in the passing of the Eight Hours Act ; chairman also of the Committee on the Port of London which resulted in the passing of the Port of London Act. He visited Malta as member of a Committee to report on the condition of the island and the demand for reform, and was Chairman also of the Departmental Committee on Smoke Abatement which produced a remarkable report. The Tariff controversy offered special scope for his particular talent and commercial experience. His writings and speeches on the subject were numerous and he became one of the recognized protagonists in defence of Free Trade. In 1910 he lost his seat at Gloucester after sitting ten years for that city. Almost immediately he was re-elected to Parliament in a bye-election for South Shields by an enormous majority : and he sat for South Shields until his death. That death was certainly hastened by the war. He threw himself with untiring energy into public and secret work, pressed upon him by the Government, especially in connexion with coal supply and its problems. And it was with a mind and body utterly overtaxed with over-fatigue that he died after a very short illness in February, 1916. He had earned a reputation, in his sixteen years of Parliament, of devotion to the public interest, sincerity of purpose, an absence of self-seeking, a courtesy and charm, which had given him an influence far wider than that ordinarily attained by a private

member of the House of Commons, and caused his death to be lamented by men of all parties.

Courage distinguished his political career. Under an outward, almost exaggerated gentleness of manner he concealed a resolute belief that his convictions were right and that those of his opponents were wrong. Soon after his entrance to Parliament and in the midst of the South African war, he distinguished himself with a handful of other stalwarts, in voting against Mr. Chamberlain's salary : for which he was pilloried in the *Times* and the popular Press. He was always almost defiantly on the side of the "under dog" and propounding opinions far from popular amongst railway directors and leaders in commercial enterprise. He once defined a Liberal as "one who was willing to pay." In all financial debates he was to be found advocating remission of taxes on the poor, even if that demanded additional taxation on the class to which he belonged. His first speech was directed against the Coal Export Duty, although he was one of the few men in the House who stood directly to gain by it. He was fascinated by the problems of commercial and business organization, especially the growing demand that the State should take over the ownership and control of monopolies : a policy for which he was developing an increasing enthusiasm. He proclaimed defiantly the gospel of Social Amelioration through the use of taxation to produce fairer social equality. "We have a national income," he asserted, "of 1,500 to 1,700 millions a year ; and I maintain, first that the working men majority do not get their fair share of it : and I maintain, second, that it is the business of the State, while taxing everyone to some extent, to aim in its taxation at the redressing of this inequality

to some considerable extent." He prophesied the coming collapse of the Parliamentary machine :—"John Bull's favourite child." That child is "not vicious and he is not incapable. He is certainly not idle. He works harder at doing nothing than anybody else does at doing anything." Yet the results were pitiable. He prophesied also, when the land seemed tranquil, that those who thought the Irish question could be evaded by neglect or choked with butter and honey, were living in a dream world. "The Irish question," he declared, "is not dead. It is not asleep. It is the next thing straight in front of us. We can no more avoid it than the prophet Balaam could avoid the angel with the flaming sword who stood before him in the narrow way." In this and similar declarations he proved himself able, with insight into the present, to anticipate the course of the future.

In the perpetual oscillation between independence of action and Party allegiance—a choice which is as old as time and which will last while time endures—Mr. Russell Rea came down on the whole to the position of a "good party man." Early in his political career he had defined his position. "I do not adopt the party creed," he declared, "because I have attached myself to a party. But I have attached myself to a party because on the whole, I believe the Liberal Party is the only instrument, at present existing, capable of pressing forward certain causes I wish to promote, and preventing other courses of action I wish to prevent." This general allegiance was combined with that hearty and genuine intellectual contempt for contemporary Toryism which the progressive has felt for the reactionary in all ages. The man in the street, he announced from

the beginning "will never get grapes from thistles : and he will never get a thorough and radical, not to say generous reform, from the Tories." He distrusted them even when they came bearing gifts. "When they are forced to take up and deal with any great question," he asserted, "by the impulse of the people, for the benefit of the people, they always have two principal objects in view : first, to give as little as possible ; and second, to get some pay or profit or bribe out of it for the privileged classes."

Perhaps he objected more to the Tory masquerading as reformer than to the Tory contemptuously and defiantly maintaining his own creeds. A brilliant and sympathetic study of the late Lord Salisbury (printed in this volume) shows how fully he could understand and admire a philosophy of life profoundly different from his own. Towards a Toryism thus defiant, naked and unashamed, contemptuous of Democracy and delighting in the exhibition of its contempt, he could feel a genuine respect and sympathy. It was with a Toryism (as he thought) prancing in borrowed garments and deceiving the people by the concealment of its real principles and desires, that he found himself ever joyfully at war. And from the beginning he was on the side of advanced Radicalism : long before advanced Radicalism became a popular thing to advocate. When unanimously chosen as Liberal candidate for Gloucester, he confessed himself "more particularly pleased to find that one, an active and avowed and courageous Social Democrat, considered me as a friend and not as an enemy." He pleaded for direct representation of Labour before the Labour Party existed. He demanded payment of members in order to procure that direct representation

of Labour at a time when most rich men looked askance at such a change. He spoke out boldly in defence of Trades Unions when such Trades Unions were universally regarded as "cruel organizations"; a generation before it became fashionable for Governments and newspapers to declare with seeming sincerity, how much they loved them. Indeed he showed his support of them by severer test than that of words: for it was his failure to convince his fellows directors of the desirability and inevitableness of the recognition of Trades Unions on the railways which led him to resign his position. He has left a pleasant and humorous picture of the straits to which this refusal reduced would-be negotiators when a crisis arrived. This was in the Taff Vale dispute which was a critical event in Trades Union history. "The situation," testified Mr Russell Rea, "was sufficiently absurd. I was of course not allowed by my fellow directors to see Mr. Bell, although we were staying at the same hotel: and Sir Francis Hopwood, who had been sent down by the Board of Trade, to endeavour to bring about a settlement, passed from Mr. Bell's room to my room conveying messages; but I was supposed not to know they were to Mr. Bell. These negotiations failed. Then Sir William Lewis interposed. He saw our little strike of one or two thousand men was about to stop the collieries and throw sixty thousand colliers out of employment. As a chairman of another railway company I suppose Sir William would have refused to recognize Mr. Bell, but as a large colliery owner, accustomed to sit at the same table with Mabon and Mr. Bruce to settle wages, he had no such scruples. So he saw Mr. Bell, and I saw the directors, and together walking round the walls of Cardiff Castle one fine summer

night, we concocted the formula to which both sides were brought with difficulty to agree : and the strike ended.” Those of us who were occupied, in those remote days, with settlement of similar disputes by Government intervention have many recollections of similar absurdities : almost incredible to the men who never knew the folly of such prejudice and blindness. In this case although the strike was thus settled, it left to Mr. Russell Rea the conviction that he could no longer participate in such lunacies. “On the main question, the recognition of the Union, the men were defeated at that time ; and holding the opinions I did, I found it best to resign my positions, not only of Deputy-Chairman of the Taff Vale Company but my seat on the Railway Association and the Council of the Railway Association : and,” as he cheerfully adds, “regain my freedom to see my friend Mr. Bell or anyone else I pleased.”

But he anticipated the inevitable march of events, that the Railway Directors were attempting to stem the advance of Trades Unionism with barriers of sand. “Since then the question has never slept, and in my opinion, it can only be laid at rest by the Directors of the Railway Companies frankly accepting the relations between themselves and the organizations of the men employed by the Companies, which have been accepted by other employers, including H.M.’s Post Office : that, as they themselves are the mere delegates of the shareholders, they should recognise and meet the delegates of the companies’ workpeople.”

His support and testimony was all the more valuable as being the experience and settled conviction of a large employer of labour, with many business interests. In the discussion on the Trades Disputes Bill his testi-

mony proved valuable in argument against those who attempted with legal niceties to attack a system which put the Trades Unions—in their allegation—outside or above, the law. “I myself am an employer,” he confessed, “and I speak as an employer, not a lawyer. I employ men of numerous classes and in different places. Some of these classes are those represented by the great Unions, others are not.” Yet his experience was that he never had had a serious dispute with the large Unions : but disputes had occurred with the small irresponsible Unions and with disorganised Labour. On the main question he brushed aside contentedly all the tangle of a technical legal debate. He fixed his attention on the heart of the matter. Were Trades Unions to be allowed to exist or not ? He confessed his readiness to believe that the controversial clause was, “as anomalous and illogical and in form as unjust as Professor Dixey himself declares.” But his “solid practical reason” for supporting it “which appears never to enter into the heads and certainly never enter into the arguments of the legal controversialists” is “that the very existence of the great Trades Unions is involved in the passing of the clause ;” and if we succeed in destroying Trades Unions, is his challenge, what will take their place ? It was a question to which the Tory opposition never provided a convincing reply. “I consider the great Trades Unions,” was his conclusion, “form one of the most important, valuable, powerful and beneficent elements in our national life, and I regard their existence as more important than the symmetry of the law regarding ‘Actions of Tort.’”

Although a keen fighter, and holding his opinions with increasing determination, he was gifted also with a

certain equitableness and serenity of temper which carried him through many dark hours undismayed. One was conscious of this in personal intercourse with him in the House of Commons. His talents were used to much purpose especially in Committee work, where he presided over important and formative conferences. But he saw men of less ability except that for Parliamentary debate, elevated to office for which his talent and experience showed exceptional qualifications. He passed through periods also, of that blind and clumsy combat of physical endurance which is created by the determination of a Parliamentary minority to resist, and the equal determination of a Parliamentary majority to break down that resistance. During such struggles the private member becomes a mere machine walking interminably through the lobbies day and night, in a struggle in which all appeals to argument and reason are temporarily suspended, and replaced by a competition in the physical exhaustion of elderly and aging men. And the legend "H. of Commons, Not Delivered" inscribed over the manuscript of many excellent type-written speeches, reveals the sacrifice which the private member, in such amazing struggles, is expected to accept with fortitude. The output of his written and spoken productions is far less in the years when the good cause was winning, than in the years when the good cause seemed to be broken for a generation. But the air of tranquility, and reasonableness, and even satisfaction, remains essentially the same. In the one case the appeal was active, in a world where the appeal was necessary. In the other the appeal was less necessary, in a world where action had replaced argument. In every case, there was much for which to be glad.

Even when suffering the experience of a personal temporary defeat he exhibited that serenity and good temper which is not always evoked by such occasions. He never turned against, or lost faith in, Democracy, because Democracy turned against him or proved for the moment unfaithful to the things which he believed to belong to its peace. After his defeat in the Exchange Division of Liverpool he devoted his speech to exultant praise of that very electoral system which had procured his rejection : without one word of criticism or scolding or bitterness. After chaffing the Liverpool Liberals over their expression of confidence in him "because, in the article of defeated Liberal candidates you are very experienced *connoisseurs*, and a long succession of them, from all the divisions of Liverpool, have passed, as fleeting shadows, across this stage," he passed on, not to explanation or complaint, but to rejoicing over the British system of popular election. The "odd man" was the problem of victory or defeat, the "Democratic King" to whom we all must submit. "When the enemy put one hundred men into the field, we put about ninety-nine. The question is how are we to capture or captivate this most important odd man. He is as capricious as any woman, and takes as many forms as Proteus himself. We thought we had cornered him the other day at the Town Hall. But 'Hey, Presto !' he had slipped through our fingers, and we heard his voice on the other side of the room, saying, 'Here we are again.' And, gentlemen, there he was again. As I said before, the problem before us is how to capture and educate the odd man." And then he adds these wise words on Democratic Government in England, and party strife and loyalty :—

“When one is in the thick of an election contest, one is apt to see nothing but the seamy side, generally of course on the other side—the little bits of sharp practice, misrepresentation, personalities; and one loses sight of the fine display of patriotism and democratic discipline it really is. An English election where about eighty per cent. of the constituency poll is really a very fine moral phenomenon. Compare the lack of public spirit in England, in the last century, with our present democratic vitality. When Boswell ventured to say he should be vexed if public affairs should go wrong, Johnson replied, “That is cant. Public affairs vex no man. Sir I have never slept one hour less, or ate one ounce less meat for them.” If one of the noblest of men was not ashamed to utter such ignoble sentiments, what of the people? Of course our great-grandfathers were patriots. They had the pride and prejudice of patriotism. But they had no sense of their personal responsibility as citizens, such as brings eighty per cent. of an electorate to the poll under our democratic constitution.

“Compare an English election for a moment with elections on the continent, when the weight of the official candidate, and of the official class generally prevails, and when in some countries, professing to have popular government, scarcely twenty-five per cent. of the qualified electors go to the poll. Compare it even with an election in America, where the honest elector is overborne by the thousands of actual functionaries fighting fanatically for their places, or the tens of thousands of potential functionaries fighting to upset them, and where every organized trade is fighting for its share of protectionist plunder. Can we conceive a Tammany victory in any English constituency, or municipality?”

He acknowledged in all this the sincerity of his opponents. He rejoiced that these also were devoted to an ideal. The thing that was wrong with them was not the devotion, but the ideal.

“What brings the Englishman to the poll, to vote for his party. Some people say, ‘the sporting instinct, and party spirit.’ That is an explanation that explains nothing. What attaches a man to his party? Always some public patriotic or philanthropic sentiment. It may be that distant Armenia may be free, and that English pledges should be respected, and her name not become a reproach. It may be that drunkenness at home may be checked. But, in all cases, it is some public and unselfish sentiment that moves him. We must admit that this is not less the case with the Tories. The words Empire and Union represent something very dear to them. When used in a *party* sense we don’t know what they mean, but they think they do, and their bosoms glow with pride, and their shouts fill the air. No one can deny that their hearts are in it. Doubtless their hearts are not in the right place, but that, of course, is the fault of their heads. No one can accuse your genuine Tory of a lack of imagination. He has a great and gorgeous temple in which he worships his fetishes, rather shadowy figures, with great names, Empire, Union, Glorious Constitution in Church and State and the rest. And he has his chambers of horrors, in which we stand, labelled Socialist, Anarchist, Disruptionist, etc.”

He could appreciate the worship of a god, even if it were a false god. He had less toleration for those who stood halting between two opinions—the Liberal Unionists of his day—used by the Tories for their purposes, and, in the using, despised. And he had no toleration

at all for men who stood aside and affected to despise "the dirty game" of politics, and saw what they knew to be evil triumphant without moving a finger in the warfare against it, because of indolence or some fastidious disgust with those who were spending their lives in resisting its progress.

There was a distinction of courtesy about him, a certain graciousness which friends and foes who were colleagues with him in the House of Commons would alike acknowledge. In his speeches he rarely indulged in a personal attack. In the social life of Parliament he never made an enemy. He came to be respected as a man of clear intelligence and sincere conviction: as a man who knew what he was talking about: as a man who never talked nonsense. The fact that he possessed a practical knowledge of business, was intimately acquainted with the machinery of commerce and industry, and was not a poor man, made all the more noteworthy his acceptance and advocacy of policies at which many business men were alarmed, and before which rich men trembled. There is little in all the notes and documents he has left, which he could later have desired left unsaid. Only, though prepared for hard hitting in controversy and even showing a zest and welcome for the encounter, he resented, not so much in self defence as with a kind of wonder and revolt, the reduction of political argument to mere angry and rude personal polemic. A certain Mr. Terrell arriving as Tory candidate for Gloucester, egregiously announced that "he would expect no quarter from us, and no courtesy from us." Certainly is Mr. Russell Rea's comment, "no quarter will we ask

or give. If I meet bad arguments, distorted statistics, false principles, sham sentiment and unsound economics I shall not spare it, and I seek no quarter in return. But courtesy, personal courtesy, is another matter. I can only hope that Mr. Terrell is misreported or that at least on reflection, he will regret and recall the expression."

In his later speeches however a new note enters, which is conspicuously absent in the earlier ones. It is a note of protest and mental disgust not for the policy but for the tactic of the Tory minority in the House of Commons after their great defeat over the Parliament Act. Those who were the subjects of their active hatred during these riotous years were sometimes indeed surprised at the antics of the "Gentlemanly Party" in their first experience of defeat. But one is a little startled to find these antics producing such bitter condemnation from so old and so tolerant a "Parliamentary hand" as Mr. Russell Rea. Quite apart from the courses they advocated, he condemned methods of barbarism and degradation which were injurious to the very existence of Parliament. He denounced "a state of demoralization unparalleled in Parliamentary history. He saw a "reptile crew" disillusioned from the belief that "a Liberal Government has been a temporary episode, disagreeable while it lasted, but in the nature of things unnatural"; and maddened by this disillusionment. The hot malignity of the Tories in the Marconi episode filled him with anger: as "they fastened upon the bank book" (of Mr. Lloyd George) "like a swarm of unclean flies, and searched in vain through the records of the modest expenditure of a frugal family for something they might twist or pervert into a pretext for

suspicion. This passed before my eyes and has sank into my memory." He falls back on the verdicts of John Bright in similar circumstance—not only that "a man in a clean coat should never wrestle with a sweep," but also the more biting challenge, "you threw dirt doubtless knowing that if needful you could eat it afterwards." He "unburdens himself" in the country more readily because "in the House we held our tongue even from good words." He ascribed this "orgie of uncleanness" as due to "want of leadership" in the Tory Party with "no one to restrain the baser sort." Such was the impression made upon and anger excited in the mind of a man distinguished beyond most for gentleness and courtesy of speech and consideration for the feelings of others. Of such vigorous stuff was political controversy made immediately before the war: before common effort to avert a common danger had created a new affection amongst those who had hated or pretended to hate each others principles, and led them both into a tranquil combination, whose Government Britain is enjoying to-day.

It was the Tariff Reform controversy which brought him forward as one of the protagonists in the defence of Free Trade. But for the sudden and unexpected revival of the advocacy of Protection, he would probably not have written a word on the subject. Free Trade as the essential condition of prosperity in a country situate as England, had been for generations accepted as much a commonplace as the sunlight or the recurring rain. And one does not embark on campaigns to defend the light or the changing skies. When defence was needed, however, Mr. Russell Rea showed himself no

reluctant controversialist. He had many special qualities for the task. He possessed knowledge acquired through wide reading of both the old and new economics. The discovery of the writings of List and the new German national economic school—a discovery hailed with delight by the Tariff Reformers who had been baffled by finding all British economic theory against them—left him unmoved. He had known it all before. He could show how wrong they were in the deductions from a German theory but imperfectly understood. His experience as a business man, and especially in connection with shipping—the first Free Trade industry—helped him enormously in a controversy in which continuous appeals were being made from theory to practice. Above all a clear, attractive style, and a writing almost detached from the passions of the moment, gave his work a value more than transitory. He never descended to the “Tax-the-foreigner versus Black-Bread” level of argument. He indulged in no personalities and recriminations. He appealed to reason rather than passion. His speeches on the subject were lectures, and his lectures were essays. This quality may have made them less effective in the rough and tumble of Parliamentary debate. But they gave them the power of endurance. The statistics used are out of date. Some are of ten years or fifteen years ago. Above all they are put out of date by the general obliteration effected by four years of war. But the statistics are illustrations only; and their age does not in the least effect the essential arguments. It is interesting, in selecting speeches and essays for re-publication, to find how much is as alive to-day as yesterday: how much of the pleading is as vital to the new world as to the old.

The tracing of the relation of imports to exports, the influence of Trade upon rates of exchange, the demonstration that imports do not produce unemployment but reduce unemployment, the influence of free exchange in the building up and maintenance in England of an international clearing house and trade centre and an international marine: the failure of Navigation Laws and Colonial Preference and attempts to "tax the foreigner" with import duties in the past—all these are elements of a controversy unaffected by, and independent of, wars and revolutions. I know of no more lucid, moderate and convincing arguments on many such questions in the whole voluminous literature of the Tariff Question than these of Mr. Russell Rea. He was fair to his opponents. He never used a false argument. He never slurred over or refused to face facts which seemed to tell on the other side. He gave to his adversaries freely much that they were endeavouring to prove by laborious effort. But he came out triumphant at the end. He was buoyant over Free Trade and the defence of Free Trade. He believed on the one hand that so long as England avoided the handicap of a Tariff, there was no social problem insoluble and no limit to the process of continuous betterment of the condition of her working people. On the other he believed that either by the continual rejection of a Party pledged to Protection, or by the inevitable failure of a Protectionist Party, even if returned to power, to construct a "scientific" or even a satisfactory Tariff, the Free Trade position was secure for all future time.

It is interesting how, time and again and all through his writing he returns again and again to the miracle of British Shipping: the miracle of the "lonely and

unassailable supremacy" of the British Mercantile Marine. He never writes of it without exultation. He feels in it a kind of personal pride. Anything injurious to that supremacy is an enemy to the real England which draws its strength from the sea and does business in great waters. Any attack upon or neglect of this amazing reality was to him an attack upon or neglect of one of the modern wonders of the world. "Our supremacy in shipping dates only from our adoption of Free Trade, he declares, "and is by universal consent a product of that policy." "Vast as our foreign trade is," he exultantly proclaims, "it is only one sixth of the international trade of the world : but our ships carry, not one-sixth but one half of the trade of the world. We carry more goods from foreign port to foreign port—trade which never touches this country at all—than all our British Trade amounts to. We carry more for the celebrated group of the ten protectionist countries alone than we do for ourselves. To compare any other nation with us in this trade is ludicrous : to compare all other nations with us is to compare the inferior in value and efficiency, if not in tonnage, with the superior." "The nations who, by their tariffs," he declares again, "restrict exports of our 'staple' manufactures to their shores, are forced by the natural law from which commerce cannot escape to accept the payments for their exports to us largely in the form of our shipping services." He is indignant at the Protectionist condemnation of these "shipping services" as a decline to lower trade, unbeneficial to the British worker : at the assertion that the British worker gets out of it only a small and diminishing quantity of wages. "The shipping trade," is his reply, "gets over one

hundred millions a year into its pocket. The railway companies get a similar amount, and pay nearly half of it to their shareholders. The cotton trade gets as much, but it has to pay forty millions to the foreigner for his raw material. The shipowners work on a capital of less than one-seventh of that of the railways, and what their shareholders get is a minute portion of their gross receipts. The rest, less a small sum for foreign port charges, is all contributed to pay the best class of British labour. Their ships are built and engined, refitted and repaired in British yards and British engine works of British material, officered and engineered and mostly manned by British subjects, provisioned in British ports, insured in British offices, and coaled with British coal. No other British industry gives so great an amount of employment to British labour of the highest class. To an island people our most necessary trade, politically our most imperial and coveted trade, economically our largest trade, and industrially our best trade, is our Shipping Trade."

Mr. Russell Rea made as many mistakes as his contemporaries in his forecasts of the future of Europe, before the catastrophe of the war. With all our prominent soldiers and statesmen, he refused to believe that Britain would ever be compelled to train, transport and employ for fighting on foreign soil, armies of millions of British soldiers. He considered much, and wrote much upon the problem of National Defence. He was no blind pacifist. He recognised the need of a strong Navy; and, although he wrote against Lord Robert's scheme of universal military service, he encouraged in every way the development of the Volunteers and Territorial Armies. His first action when elected to Parliament was to introduce a

Bill for the compulsory leasing of land for rifle ranges. But he believed that our contribution to a European war, if we were ever engaged in it, would be limited to such services as could be provided by a small and efficient professional Army, by the use of the money power, and above all by the shattering influence of Britain's dominant sea supremacy. Like most of the experts and specialists—including those especially who thought themselves "up-to-date"—he believed that the brutal eruption of war into the complicated industrial system of Europe must of necessity be short: that the fever flame would burn so fiercely that a few weeks only would present the alternative of peace or the total destruction of civilization. He did not realise the power of resistance still possessed by man's indomitable mind, or that nations might indeed be on the way to suicide—practically, perhaps have committed suicide—and still fight on. But in one prophecy at least he was triumphantly vindicated. He declared that if England were challenged, England would survive. And he declared that England would survive owing to her adherence to Free Trade; and especially owing to the creation of that gigantic merchant fleet which was the legitimate child of free trade. In other words he turned the attack of the national protectionist school against themselves. He showed that by the maintenance of Free Trade England was not only maintaining that cause of international friendship and understanding which had fallen so low amid the clash of conflicting Imperialisms in Europe. He showed also that even if the argument be limited to the narrowest nationalist outlook, Free Trade in peace time was essential to England's survival in the test of war. Admitting the possibility of universal collapse of the

material organization of civilization under the strain, "will it not then be worse," he asked, "for us than for others? Has our path of Peace been the path of relative safety? Have we not more extensive international relations than others, and are we not therefore more dependent on the foreigner than they?" He had no doubt of the answer. "We can prove that the higher path has been not only the most profitable, but the most secure." "With our great Free Trade industries, with our merchants, and our ships, drawing our food and raw material from all parts of the earth, added to our naval power, our supplies are rendered more, and not less, secure by the very extent and variety of our operations, and are placed beyond the possibility of serious interruption by any enemy." No faith has ever been more amazingly justified by experience and time.

But Mr. Russell Rea's politics were by no means limited to a defence of Free Trade; or to a defence of the *status quo* of present Society. He defended and indeed delighted in all the new Social Reform programme which was filling many of his contemporaries with fear of calamity or revolution. His business ability and soundness of judgment proved exceedingly useful in the pushing through of measures of Social amelioration to which "business" was often opposed. As chairman of the Select Committee which investigated the demand for, and reported in favour of the eight hours day in mines, although he expressed some criticism of detail when the Bill was introduced, and especially pleaded for time to allow of adjustment to new conditions, he refused to be moved by those prophecies of disaster which were freely proclaimed by its opponents. "The

House was accustomed to the prophecies of disaster and ruin from members of all trades which had been touched by any legislative control, from the days when the London shipowners prophesied that the repeal of the Navigation Laws in 1849 would drive the Union Jack from the ocean to the days of the extravagant estimates of the cost of the Workmen's Compensation Act, the ruin of the South African gold industry, and the passing away of the British brewer." Such a prophecy, he declared, is to assume "that one of the most intelligent and energetic classes of men in England had lost their energy and intelligence." He supported Old Age Pensions and National Insurance. He fought the putting on of taxes on corn and sugar as attacks on the deplorable standard of life of the poorest of the people. He took up and scathingly analysed the defence of these, that "all classes" should bear their "fair share" of the cost of the war. "What is the fair share" he asked, "of the third of the population of these islands, which live all their days below the poverty line, people who have not a sufficient income to maintain them in fit physical condition for efficient labour? When women and children who are always hungry, and who cannot be reached by taxation, except by reducing still further their scanty breakfast, which is also their dinner and their supper—bread, sugar in one of its forms and tea: taxed tea, taxed sugar and taxed bread—that is all." "To these people," he protested, "the indulgence in the extravagance of a half-penny paper or a rare penny stamp for a letter, reduces the children's food. For it is when a family rises to humble luxuries, when it can indulge in meat and fish, butter and milk, it rises to free and untaxed food. What is the fair share for these

unfortunate people ? ” As alternative he welcomed increase in the Income Tax and demanded that its increase should be doubled if necessary rather than the imposing of this burden on the “ humblest of the people.” His maiden speech in Parliament was in opposition to the Coal Export Duty, although as he confessed, “ I think I may say that I am the only member of this House who will benefit by this tax : to me it is purely a protective duty, and therefore I may be regarded as impartial and unprejudicial in protesting against it as being unpolitic.”

But he was full of optimism as to the future. He believed that progress had only just commenced : that all the anxiety and fear of ruin accompanying the improvement of the lot of the worker, were but exaggerated terrors of the necessary pains of infancy. His optimism was stimulated as much by the experience of the past as by vague and coloured hope of the future. He had seen the extraordinary progress already made by the industrial peoples in so short a time in a nation’s history. In his remarkable paper on “ Liberty and Labour ” he could throw a searchlight into “ the pit from whence ye were digged ” : when the labourers and the children of the labourers of England could be held up as an example of the supreme wretchedness of any class in the world at any time : and most men neither knew nor cared. Dejection at the extent of the height still to be scaled was modified by knowledge of the magnitude of the height already won. He had no praise of “ work ” for work’s sake. He thought that progress meant the giving to all mankind of lesser servitude to mere economic slavery for the needs of living. “ Employment,” he cheerfully asserted, “ is

not an essential good. It is a necessary evil. When a man says he wants work he really does not want anything of the kind. What he wants is wages : and he quite rightly wants the largest amount of wages for the smallest amount of work."

Above all he refused to preach contentment. He believed that dissatisfaction with present condition was the secret of all progress. He had no fear of Labour Unrest, which to-day is a spectre haunting the minds and clouding the judgment of so many good men. But he believed also that a standard of comfort, far above that at present existing, could be attainable by all, by wise and steady progress towards social betterment : and he preached discontent until that standard is attained. "I hold it is unnecessary," he declared in a remarkable utterance, "that any family in Europe, outside Russia, should suffer from want of abundance of good food, or should lack sufficient clothing both for warmth and beauty : or a well built and drained house with sufficient accommodation for health and decent living. I hold that anything short of this standard is extravagant and wasteful just as it is extravagant and wasteful to underfeed or badly house horses or cattle ; and until this standard is attained at the lowest, discontent is a duty. It must precede and accompany all progress : and it is a most hopeful sign that the British working man has learnt in whatsoever state he may be, therewith to be discontented."

His Radicalism indeed, was in many respects in advance of his time. Before the war, and long before the subject had become a controversial question between the advocates of the old order and the new, he had declared for the nationalisation of the railways and the coal

mines of the country ; and that as much as a business proposition to be supported by business men, as in any response to a dominant demand of Labour. He declared boldly that the nationalisation of Coal opens up " new vistas of Reform, Efficiency, Security and Revenue." In a brilliant address on " Socialism and Social Reform " very much appropriate to the problems of to-day, he expressed, perhaps more completely than elsewhere, his faith in reform. He was prepared to go any length in the demand for Equality, so long as the principle of Liberty was not endangered. He foresaw and welcomed great changes in the present organisation of Society. He recognised that we were living not in a lake of sleeping waters, but in a river rushing us forward rapidly towards unknown seas. He had no fear of the future. He would embark on any campaign, involving almost any sacrifice by the well-to-do classes, for the elimination of poverty. But he did not believe in the complete control of all industry by a gigantic bureaucratic machine, and he refused to accept a State engaged in the minute regulation and control of men's lives. He believed that the stimulus of freedom of enterprise and properly restrained competition will certainly produce more wealth in the Social Reform state than in the Socialist State. He believed that by a proper system of distribution wealth may be so diffused that poverty could gradually be destroyed. He was almost triumphant in belief that his principles would be vindicated. Radicalism was not (in his view) just nibbling at the loaf of Socialism but afraid to make a good meal of it. It deplored the same evils of present society. It endorsed the same impeachments. It equally demanded remedies. But its remedies led, as he thought, to a better condition

of Society. "There is no final limit," he declared, "to the application of Social Reform. There is only one limit, and that is not fixed, but infinitely elastic. It cannot advance at any particular time and place beyond the moral development of the people. It can only proceed on one principle, viz. that as the higher activities of a people develop, so their lower needs may be socialized." He was thus prepared to advance a long way on parallel lines, with the Socialists: to incur in his programme, the reproach of the enemies of Socialism: not only to tolerate but energetically to advocate such possible reforms as the nationalisation of mines and railways, which, to most loose thinkers and all who never think at all, appear to be Socialism, if naked, unashamed. "Given the moral development of the people,"—such was the heart of his political creed—"that is, given a universal, perpetual, never-satisfied desire for something better than anything that is ever realised, always striving for a better standard of life—more comforts, more leisure, more interests—given this moral atmosphere, then it may be safe to go further and further on the same path of Social Reform." He could "imagine a time when such things as heating, lighting, the feeding of children and minimum housing may be as free as elementary education is now." But without Liberty "there can be no enterprises, no inventions, no progress, no possessions, no career, no success." Equality of condition, in the Social Reform State though never enforced, will always be aimed at, always be more and more nearly approached, and never quite reached. But this State will be "continually taking into its own hands more and more of the ordinary and common services of the community." In such

a process he can conceive of a future in which the production and distribution of the great semi-manufactured staple articles which are the raw material of higher, more specialized, more artistic products, those semi-raw materials which are the special field for the operation of the trust, the speculator, the corner, may be regulated, controlled and perhaps absorbed by public authority. Only, in his vision of the future such a process would be one, not of enslavement but of liberation: the giving, in the interests of liberty, of wider opportunity and security to individual skill and enterprise in more specialized and higher and more artistic products. Routine business to the State: business to the State when such business becomes routine: this with progressive discontent and continual reaching out of men's spirit to individual energy and creation for fresh enterprise, represented to him the legitimate condition of man's astonishing progress through the centuries.

No one who had known the man or spirit any time in exercising his writings could fail to be stimulated and inspired by this triumphant faith in progress. It sustained him though dark fortune and bright: in the hour of defeat as strongly as in the hour of victory. There is not a note of pessimism discoverable in all the mass of his written essays and speeches. When advancing, the sky was full of wonder and delight. When beaten they were "baffled to fight better." He had faith in the victory of intelligence over unreason, in the victory of compassion over indifference. He saw mankind and especially the society of his own land and time, adventuring on a journey: with perhaps the present cross section of it at any moment, full of tangled stupidity and things difficultly tolerable: but always with light.

gaining on the darkness and some fresh improvement assured. He *knew* that Free Trade would survive, because he refused to believe that irrational appeal, however plausible, could ultimately succeed. He *knew* that Social Reform would reclaim, year by year and decade by decade, great tracts of swamped and submerged territory in which man lived minished lives. His was none of the Liberalism which is so oppressed by the squalor of the present as to despair, even while it is fighting, of the victory of the ideal. His faith was not compelled to face the shattering challenge of a prolonged and devastating war in which much else which he cared for, besides the material of comfort, crumbled into ashes. Had he survived even to the bitter time that followed, where he would have seen so much of his life work destroyed and so much that he hated dominant, I am sure he would have been accounted amongst those who still refused to despair of the republic.

The war came to him as a calamitous blow : especially as marking destruction or suspension of progress in the causes in which he believed, which were advancing so sweepingly before that calamity came. He never for a moment hesitated in recognizing that England had no other choice possible than the choice made. He still argued indeed, against Conscription after the war. But during the war he was prepared to give it, if wanted. "The war must be won," was his belief, "at any cost of money, of men, or of consistency." He made wise speeches in the few remaining months of his life, especially in connection with the financing of the war. The wisdom of such speeches can be more

readily seen to-day than yesterday: for to-day we are confronting the chaos caused by rejection of such advice as his. He emphasised again and again that it was no use demanding that capital should pay for the war while the war was on. Such a demand was meaningless. The war had to be paid at the time by services rendered at the time: by services diverted from peace work to war work. "Realised wealth is not available for war purposes. War has to be paid for out of the articles which are produced within the year. The time of the man engaged in the Army and Navy is this year's time. The articles which ought to be consumed are this year's production. The available wealth, the accumulated wealth, cannot be turned into such articles." But he pleaded again and again for a scheme of Compulsory Thrift in all classes, so that the sheer waste in private extravagance and luxury which continued during the war might be avoided. Had such a scheme been adopted (and in the temper of the people during war time it was not impossible) so much capital resource might have been saved to the country, which has now vanished beyond recovery. But he had no doubt that after the war, wealth would have to shoulder the bulk of the burden of debt. "It does not follow that capital should not in the end—though it cannot in the beginning—be made to pay." "If the money is raised by loan instead of by taxes, the expenses and the weight of that Loan may be made to fall upon the people upon whom it should fall. It may then be made to fall upon Property and upon the owners of Property, if this House and if the Government of the day think that is the proper form." There is little doubt, that had he lived, he would have thought that to be "the proper form";

and that he would have joined with the new Radicalism in demanding a levy on wealth and especially on war made wealth, to pay off some portion at least of the burden of the War Debt.

His last speech in the House of Commons reveals his optimism, unshaken by the shattering experiences of war. He replied to some attacks on the idleness and selfishness of working England which was maintaining equipment and supply for the fighting men at the front. He replied defiantly: in defence of the spirit of the people. Somewhat querulous complaints had been made of the failure of the people at home to 'realise the war': of slackness, laziness and self indulgence. Mr. Russell Rea would have none of it. "The country has tackled the problem of saving, and has tackled it in a way that has not been acknowledged, and it does no good to disparage our country in that respect. It does no good to recruiting to say that our men are shirking. It does no good to saving to say that we are not saving." He claimed that we were not saving in "mere minute Lenten penances" but in "great chunks of expenditure all over the country." He protested also against those people who asserted that we were not only not saving, but also not working. The coal mines, with 200,000 skilled miners gone to the front, had actually increased their output. Workers were abandoning holidays, rich men luxuries, men of moderate means new clothes, new furniture, new decoration. "I object to disparagements of the efforts of our country. I object to its being said that we are not saving in cash or not increasing production. I think it is well for us in this country," he concluded triumphantly, "that our enemies in other countries

should know that we are putting our shoulder to the wheel and doing it well."

And this declaration was a not unfitting close to a long career devoted to public affairs, and distinguished throughout by faith and pride in the spirit of his own people. He had welcomed the development and increasing power of America. One of the longings of his life was for closer union and understanding between the English speaking peoples on both shores of the Atlantic. One of the few outbursts of bitterness in his writing is evoked by the memory of the criminal light-heartedness of those who risked alienation and even war between them, for the sake of political ends. "I regard the action of Mr. Cleveland and Mr. Olney," he wrote of the Venezuela incident, "who raised the question from the dead simply as a contemptible election manoeuvre, as perhaps the wickedest action committed by men in our time. It not only made the unspeakable calamity of a war between England and America a possibility. It appeared to make it a certainty. These two malefactors could have had no other expectations." Later, in the outcry against the Atlantic Shipping Combine he condemned the scare and the attempt at panic legislative reprisals. "English money has built American railways. English money has built and English companies manage Argentine railways. In all the world and under every flag is English capital invested—in railways and docks, in gas and water works, in tramways, and navigation works, in mines and mills and plantations; and the food imports on which our population lives, are in large part the dividends on our foreign investments.

And then we, forsooth, or some of us, lose our heads, and our tempers, because our brothers across the Atlantic have done in a small degree what we have done in a large degree." It was actually proposed, as protection against America to re-enact the Navigation Laws. His ideal of progress ran along lines wholly different. "It is probable that, in the future, other schemes of Anglo-American co-partnership may be devised and carried into effect to the advantage of both countries. I myself regard such developments not only without apprehension, but with favour, as tending to render such a calamity as a war between the two great nations of the same blood and the same language, still more impossible than I believe it to be now; and as binding not only England and the colonies, but the whole English speaking world together by ties of community of interests and enterprise which will make for a unity, doubtless not an organic union, but a material and moral unity of interest, policy, and sentiment, wider than that of the British Empire itself."

He welcomed also the development of the British Dominions beyond the seas. He understood the nature of that development better than many who were trying to unite the British Empire with cast iron links of Trade and Imperial Government. In vindicating the Colonies against complaint that they contributed too little to Imperial Defence, he showed insight into the nature of the new nationalism which was growing round the seven seas.

He welcomed also the development of national spirit at home: those "subordinate patriotisms" which Mr. Balfour defined as one of the notes of the new time. He rejoiced that Wales was becoming more self-con-

sciously Welsh, and Ireland more self-consciously Irish, and Scotland Scotch : each with increasing pride in birth and race and history. But for himself, he stood for pride in "little England." The Englishman alone is losing his nationality," he complained, "and surely it is a great loss. I speak," was his boast, "as one not having a drop of blood in my veins that is not purely British. It is an unusual thing to say, quite an unfashionable thing to say, but I am proud of being an Englishman, and nothing else but an Englishman."

He found nothing to be ashamed of in the England which "could remember its origin in the age of Elizabeth and Shakespeare." He believed in its permanent great qualities—its tenacity, its power of work, its good sense, its good humour, its essential reasonableness, its capacity of sustained, if unemotional adherence to high causes and far off ideals. In that faith he lived, through all the effort of confused and often bitter political controversy : seeing the reforms he desired, if sometimes halting and impeded, never going back or wasted in despair. And in that faith, at an hour of testing which was to try the very mettle and temper of his people, he died : not having seen the promises, but in sure and certain hope that the promises would be fulfilled.

CHARLES F. G. MASTERMAN.

I

THE TRIUMPH OF FREE TRADE

BRITISH FREE TRADE

THE Free Trade theory has been consistently applied to the international commerce of the United Kingdom for the last sixty years, but it would be incorrect to say it ever obtained a complete universal acceptance even in this country. We have always had a Protectionist faction. The agriculturists, landlords, and farmers have always looked back with regret to the days when the importation of corn was taxed, and when the undeveloped condition of transport by land and sea restricted our importations of other articles of food almost entirely to the produce of other climates. And during the past thirty years this faction has been reinforced and strengthened by a section of our manufacturers who have desired and agitated for the imposition of protective duties on imported manufactured goods, a few because in their special trades they have met with some effective competition in the home market from foreign manufacturers of similar goods, and many more because they have found their export trades checked and hampered by the imposition or raising of the duties on their goods in foreign countries, and they perhaps naturally desired to find some means of striking back, and giving a blow for a blow, without realising the broad economic consequences of such a policy on our international trade as a whole.

But throughout the whole of this period the great mass of our labouring populations were steady supporters of a Free Trade policy, and not least so the agricultural labourers and workers in rural industries, whose condition has been so greatly ameliorated by the low prices of foods and the general advance in the wages of labour. The degree of the general acceptance and support of our Free Trade policy in Great Britain was shown by the fact that, in spite of all the changes of governments due to our party system, no attempt was made by any Government to revive Protection in any form. When, in 1852, for the first time after our Free Trade revolution, a Government was formed consisting of men who had been the foremost defenders of Protection in the former period, not only was no such attempt made, but any desire to do so was emphatically repudiated. "Whether Protection be right or wrong," said Mr. Disraeli, "it is dead and damned." And from that time the producers and traders in this country have had the advantage not only of a consistent trade policy, but the absence of any disturbing element of doubt as to the persistence of that policy. For more than fifty years, until the General Election of 1906, the voice of the Protectionist, though not unheard, was a *quantité négligeable* in our elections, and without influence on national policy.

British Free Trade is a singular phenomenon in the world, and appears to me to be worthy of study and analysis, apart from the soundness of its theoretic economic basis, for great populations are not governed by economic principles, sound or unsound. Further, the theory of Free Trade, we must acknowledge, does not appeal to the natural uninstructed person; its

benefits are diffused and general, its inconveniences are personal and visible. The theory of Protection, on the other hand, as popularly presented, appeals to every unregenerate sentiment—its benefits are personal and particular, its inconveniences diffused and invisible to the vulgar, and it gives infinite play to the passions of private greed and public revenge. How, then, came about the adoption of Free Trade by the English people, and what has caused their faithful adhesion to the practice ever since? It is easy to understand this fidelity during the first twenty years, when the principle of free international exchange of commodities was apparently winning an increasing measure of acceptance throughout the world, and it was in harmony with what appeared to be the universal sentiment and the general stream of tendency. But after this period came the American and Franco-German wars, when the tide turned, and nation after nation, not only the great powers of Europe and the United States, urged on by military and revenue needs, but the smaller countries, such as our own colonies, impelled by no such necessity, deliberately adopted a nationalistic protective policy, and from time to time added to the severity of their protective tariffs. Nevertheless, we see that during this second period this country not only persevered in the faith and practice of Free Trade, but until the General Election in 1906 a Free Trade policy was accepted practically without question by the people.

It is common for the Protectionist in Protectionist countries to represent Great Britain as an experienced and astute old campaigner in the field of international commerce, which they regard as a field of economic warfare. They describe this country as pursuing a

steady and selfish policy with Machiavellian craft and absence of scruples. In the light of this preconception they read our commercial history. England, they say, was the most savage of Protectionists until she had built up an invincible manufacturing supremacy, and then she turned Free Trader, and blandly invited all the industrially less developed nations to enter the arena and try conclusions with her. England, they say, was remorseless in striking at the maritime supremacy of Holland by Cromwell's celebrated Navigation Act of 1651, but her conduct was no less selfish, both in intention and effect, when she threw open her ports and colonial trade, and abolished the Navigation Laws in 1849. Her motive was as little changed as that of a military commander who takes refuge behind the defences of a fortress when he is weak, but takes the offensive in the open field as soon as he is strong. The policy of England is represented as constant and consistent, selfish and unscrupulous, astute, and (the word has been heard) perfidious. Even our little economic club, the Cobden Club, has not escaped this microscope of suspicion. A myth has gained currency, and I am told there are actually people who believe it, of the existence of Cobden Club gold and secret funds used to corrupt the virtue of the more simple and feeble foreign Protectionists. Our foreign members and friends may be amused in their turn to learn that on the very highest authority among our neo-Protectionists in this country, they have been held up to the popular fears as powerful and maleficent beings, poisoning by the unscrupulous use of foreign gold the spring of our patriotic protective renaissance.

Economics, we see, like history and theology, has its

mythology. The image of an England preternaturally astute and preternaturally selfish is not even a caricature of the truth. Our foreign friends who are students of economic history know that in this as in other things we are a stupid rather than a brilliant race, and have been lucky rather than wise. Pure economic science has never yet ruled the policy of politicians and of states, and Adam Smith was a voice crying in the wilderness for eighty years, until a fortunate combination of national misfortunes paralysed opposition, and enabled the classes, which clearly saw that they, as classes, would gain by Free Trade, to triumph over the classes which imagined that they as classes would suffer. It was these partly blind and mostly selfish forces as much as or more than any clear economic vision produced by the preaching of Cobden, which lifted us in one decade, from 1842 to 1852, almost without our realising how, out of a morass and jungle of protective duties, colonial preferences, and navigation restrictions, far more entangling and paralysing than the present systems of France, Germany, or America, and placed us on the bed-rock of Free Trade, with a clear sky above us, and the world before us. We may be said to have fallen into Free Trade, as an eminent historian of our own has told us we blundered into Empire, "in a fit of absence of mind."

"Non nobis Domine" should be the sentiment of the British Free Trader when he meets face to face his Free Trade brothers from other lands, who are fighting the battle with varying fortunes, and under harder conditions than he or his father had to face.

Protection was and is associated in the minds of the English people with the taxation of corn. Free Trade

meant for them free imports of food. In other countries Protection, at any rate in its earlier stages, meant the taxation, not of the primary necessities of life, but of the luxuries, the secondary comforts of life, and of machinery and other articles not for direct consumption at all. The promoters of the Free Trade movement in England appealed direct to the elemental motive of the visible self-interest of the majority, and in this they were more fortunate than their foreign co-workers. It must be admitted the arguments it was then necessary to put before our countrymen were simpler in character, and of more direct and visible force, than those which it is necessary to use in other countries. And, as it was not the cold light of abstract economic truth which guided our fathers into the path of Free Trade, so it has not been by any conscious intellectual process that their sons have been kept from wandering from it. It has been the constantly recurring demonstration of the years as they have rolled by that Free Trade has "paid" in the past, that it "pays" here and now in the circumstances of the moment, and that it furnishes the best equipment for facing the future. The average Englishman accepts the reproach of the world that he is illogical, not only without resentment, but even with some degree of self-satisfaction. He says, if he is not logical it is because he is "practical." He is not governed by dogma, he loves compromise, and his steadfast adherence to Free Trade is an unusual example of consistent and logical conduct on his part. It has been justified to him not so much by witness of his brain as by that of his eyes and his stomach, by the food he eats, the wages he draws for his work, and the quantity of things he can buy with them.

For the first part of our Free Trade period, for twenty-five or thirty years, all are agreed—our new Protectionists equally with Free Traders—that the policy associated with the name of Richard Cobden was entirely successful. Our manufactures and our exports expanded uninterruptedly, following freely their own laws of development. Subject, of course, to the temporary fluctuations caused by the alternation of periods of general world-wide activity and expansion with periods of comparative depression and contraction, our foreign trade constantly expanded, and the expansion of each trade was visibly the natural result of its particular advantage for production, and the energy and intelligence with which it was conducted. Success was then clearly according to merit, and success was pretty widely diffused and shared by all classes. Even the agricultural classes, land-owners and farmers, then, as now, Protectionists, at heart, were silenced. The ruin which they had feared and prophesied failed to descend upon them. The production increased, agricultural prices, on the whole, advanced, and the rents of agricultural land went up. During this period Free Trade appeared to have demonstrated to the whole people of this country its universal advantage.

But a new period was about to dawn. English Free Trade was to be put to a harder proof. It had to demonstrate its advantage not only in the form of a free exchange, or virtually a free exchange of commodities, but in the form of what our Protectionists call “one-sided Free Trade”—a system of free imports from countries which were one by one endeavouring by duties of constantly increasing severity to keep out our goods. Germany—at least, so far as Prussia is concerned

—had begun the last century as almost a Free Trade country, so much so that William Huskisson, our earliest Parliamentary Free Trader, in 1825, expressed a hope in the House of Commons that “the time would come when England would follow Prussia’s example.” But in 1879 Bismarck definitely committed Germany to a Protectionist policy, with the support of the agrarian party, which appears to have abandoned Free Trade with the first appearance of American imported grain a few years earlier. With a brief interlude during the Chancellorship of Count von Caprivi, we have seen this policy pursued with consistent determination, and Protection intensified by the tariffs of 1902 and 1906.

In France, from the time of the failure in 1880 to renew the Cobden Treaty of 1860, we have seen, and particular trades in this country have suffered from, repeated changes in the tariff, in particular those embodied in the tariff of 1892, all in the direction of restricting the imports from England. In America the tariff imposed during the civil war was recognised as generally necessary for revenue purposes, but it was speedily strengthened for purely Protectionist purposes, and the McKinley Tariff of 1890 and the Dingley Tariff of 1897 were expressions of a fixed and purely nationalistic Protectionist policy in its most extreme form.

In all our own self-governing colonies wide customs tariffs necessary for revenue in new countries have been strengthened into protective tariffs, carefully devised on strictly national lines, and directed chiefly against the Mother country.

This great and almost world-wide revival of Protection has been witnessed and in many cases severely felt by

certain classes of our manufacturers of export goods during the later half of our Free Trade period.

Thus the force of the example of other manifestly prosperous communities, and the force of the resentment of particular classes who had been directly injured, have combined to produce a certain and partial reaction against our former complacent acceptance of a Free Trade policy, which had become traditional, and to promote a revival of Protectionist sentiment among our urban classes.

Coincident with this world-wide revival of Protection, a period of severe and prolonged agricultural depression followed one of long-continued prosperity. The unforeseen, unimagined development of means of transit by sea and land, had brought to our shores the food products of the most distant parts of the earth, at prices, which our agriculturists without further organisations and development of their industry, were not prepared to meet, and not unnaturally the renewal of a protection not yet forgotten became their first political aspiration.

It is easy to understand therefore, and it is impossible not to sympathise with, both the British exporting manufacturer and the British agriculturist thus injured, who cries to his Government to do something to counteract the action of the foreign Governments. It is too much to expect them to follow the secondary and remoter consequences of these foreign tariffs upon British trade as a whole, and it would be still less reasonable to expect them to follow the secondary and remoter consequences of any system of Retaliation or Protection it would be possible for an English Government to establish. It may be admitted without surprise that the existence of the present world-wide system of Protection, directed

as it was primarily against this country, makes the existence of a Protectionist party in this country natural, perhaps inevitable.

The British Protectionist fixes his eyes upon one phenomenon. He sees the passing away of England's monopoly ; he sees the relative decline of his country's foreign trade. It may not be declining at all absolutely. It may be increasing. It may even be increasing at a greater pace than that of any other single country. The Englishman may be doing all the work he is capable of doing, and selling all he has got to sell, but he feels he is no longer alone in the world, others have entered the field, they are marching by his side, they are almost keeping pace. He looks round upon these newcomers whom he calls rivals, and finds they are actually " Protectionists." And then an awful doubt of the universal efficiency of the Free Trade faith in which he has been brought up assails him. We have kept a monopoly of Free Trade, he reflects, and yet in spite of our fidelity we have not kept our old monopoly of trade in the export of certain manufacturers. Our new rivals have not only checked and sometimes annihilated our exports to their own countries by severe tariffs, but under the shadow and protection of these tariffs, or notwithstanding the disadvantages of these tariffs, whichever it may be, they have built up an export trade in their manufactured goods, and effectively compete with us in markets which are foreign to both them and us. Thus, our neo-Protectionist argues, Free Trade has failed first to convince the world of the truth of its general deductions, and to convert it to its practice as its English apostles prophesied it would do ; and second, its rejection has not hindered the industrial development

of other nations, and that, not only within the sphere of their own protected markets, but in the wider area of international commerce. And statistical illustrations are not wanting to show that Protectionist powers have increased both their national manufacturing product and their export of manufactured goods in greater proportion and in certain years to a greater amount than we have done. In particular—and this is the English Protectionist's favourite example—it is pointed out that the production of pig-iron in Great Britain a few years ago was greater than that of the United States and Germany combined, while at the present time it is considerably less than that of Germany, and less than half that of the United States. And yet it is precisely during this period that these countries have been consolidating their protective systems, while we have been content to follow blindly our Free Trade policy, simply because it has become a tradition and a superstition to our people.

To our foreign guests it must seem ludicrous that people exist in this country who point to the fact that, in the infinite expansion of production and international exchange in the modern world, England has not kept the practical monopoly which her accidental lead in the cotton and iron trades once gave her, as proof of the breakdown of the Free Trade system; and still more ludicrous that these persons imagine and teach that this monopoly might have been kept or be recovered if import duties were imposed on goods we do not import, or only import in small quantities. But humiliating as it may be to Englishmen who value the reputation of their country for intelligence, we are compelled to make the admission that our new Protectionists regard

the rise of the iron-making industry in Protectionist Germany and Protectionist America, for example, as a proof that our fiscal policy of Free Trade has been a failure. Their ideal is that Great Britain should produce fifty millions of tons of iron and steel, and be the black country and ash heap of the world. The claim is sufficiently ridiculous when carried to its ultimate consequences, and baldly stated, to be left to the judgment even of the least instructed, but when such arguments are insidiously addressed to each separate trade in turn which has ever suffered from a foreign Protectionist tariff by an organised propaganda, pervading the country, and anonymously subsidised, the phenomenon of a British Protectionist party ceases to be a mere psychological curiosity, and becomes a political factor of importance.

This new situation lays upon us Free Traders a renewed necessity to keep burning the torch of economic truth in this land, and to prove that the policy adopted by our fathers has justified itself by the experience of the last thirty years of our Free Trade régime as much as by the experience of the previous thirty years. Abstract deductive arguments will no longer suffice. We have to show that the British system of Free Trade adds to the present efficiency of the national industrial organism, and, in comparison with any possible system of State regulation of foreign trade by protective tariffs and preferences, gives a greater national product, secures a better distribution, more and more regular employment, a higher scale of consumption, better conditions of labour, and generally a more civilised life for the labouring population. Above all we have to show that a system of free imports gives greater efficiency for

competition and enables us to retain a position in international trade in comparison with other countries far beyond that to which we should be entitled by our population, or internal resources, our intelligence, or our enterprise. And yet to one who surveys our trades as a whole, it is not difficult to show that in the wise words of Sir Robert Peel, the best way to meet foreign protective tariffs is by a policy of "free imports," that this policy, then untried, and adopted by him as the result of abstract deductive reasoning, has justified itself even by the experience of the last generation in which certain of our export trades have suffered blow after blow by the imposition and strengthening of foreign tariffs designed to injure them.

The first portion of our Free Trade period, during which the wisdom of that policy from the British point of view was and is still admitted by all, may be said roughly to have extended from 1849, when the law abolishing the corn taxes came into full operation and the navigation laws were repealed, to 1879, when Germany definitely adopted a systematic scheme of Protection, and the Cobden Treaty with France expired.

A comparison of our export trade during that period with the twenty-eight years which have succeeded shows that, although impositions of Protectionist duties directed against our exports have crippled and destroyed particular export trades; and, although our export trade to certain countries has been in certain cases seriously curtailed at one blow, yet our total export trade has not only expanded as a whole, but it has expanded to a greater extent during the second period than it did during the first. From 1849 to 1879, in

thirty years, our exports of British merchandise increased from 64 millions in value to 192 millions, but in the succeeding twenty-eight years they expanded to a still greater extent and reached in 1907 the unparalleled figure of 426 millions. This growth is not entirely or chiefly by the substitution of new countries and neutral markets for our old customers. It is with our old customers in our old markets to an equal extent. This apparent failure of foreign adverse tariffs to injure our trade as a whole leads us to an examination of the secondary effects of foreign Protection on British trade, and this examination discloses economic reactions of Protection undreamed of by its authors, and compensations to this country which have led many Free Traders among us even to doubt whether the lot of a single Free Trade nation in a Protectionist world is not one of actual advantage. Protection injures the nation which imposes it, doubtless it is injurious to the world as a whole, but whether it injures more than it benefits Free Trade England is a question more difficult to answer.

We admit that in consequence of the action of foreign states our industries, as they exist to-day, are not of the kind they would have been under a system of universal Free Trade. They are not what they would have been if we had never abandoned or had returned to a Protectionist system. They are something which differs from both. They are the product of "one-sided" Free Trade—free imports from countries which impose heavy duties on nearly all the goods we have to sell to them, and they show a different distribution of capital and labour from that which would have been the case either in a Free Trade world or under a system of Protection in this country.

The extent to which they differ in the broader categories of industries from what they would have been under a system of free exchange is, however, much exaggerated by Protectionists and by Free Traders too. The more advanced nations economically and industrially are inevitably coming more and more into line. The aggregation of the people in towns, the rise of new manufacturing populations, the decline in the relative importance of agriculture, are phenomena common to them all. These great and general movements are much less affected by tariffs than Protectionists are apt to suppose. They are the effects of modern forces far more powerful than any national fiscal policy. In the later part of the period we are considering England has witnessed other nations passing through the same phase of economic development she had experienced a generation earlier, and one by one coming into line with herself as manufacturing powers, producing similar articles, and competing with her in the same markets. This revolution in its broader lines of progression would have been inevitable under any fiscal system. The rise of manufacturing industries in other nations than England on something like their present scale was clearly on their destined line of economic development.

The protective tariffs of other countries, which were intended to stimulate this movement, are now producing the bad effects on certain trades in this country, for which they were doubtless designed, and are failing, as they always fail in countries whose industrial development is reaching an advanced stage, to produce the effects which their authors appear to consider good. They have the smallest effect, probably no appreciable effect, in determining the distribution of the population of an

advanced country, such as France or Germany, between manufactures of some kind and agriculture, between towns and country, but they do determine the particular manufactures in which a portion of the capital and labour of a country shall be employed. The nationalistic Protectionist politician decrees that a portion of the capital and labour of his country shall be diverted to particular industries. These industries come into existence. The articles invariably selected for a protective taxation are the particular articles which we English are supplying in the greatest quantities, and apparently with the greatest profit to ourselves. Thus one British manufacturer after another has seen many of his markets restricted and some lost entirely. He has seen that foreign Protectionist Governments, by the imposition of Protectionist tariffs, not only determine the distribution of capital and the employment of labour in their own country, as I have said, but in our country too. In their own country they do this in a manner which their fellow-countrymen approve, as apparently for their advantage, but as regards our country they do it in a manner which is certainly an immediate, and sometimes a permanent, injury to individuals and individual trades, and their express and avowed object is to injure. The particular classes injured, doubtless, see nothing but their injuries, but we have to look further and trace the secondary consequences, and estimate the final results.

Unrestricted international trade, universal Free Trade, would naturally lead to the greater differentiation of employments as between nations, each nation tending more and more to confine its activities to the production of the particular articles for which it is best suited, to the great increase of the total wealth of the world. The

nationalistic protective system adopted by nearly all countries is deliberately designed to defeat this national differentiation. Its aim is to produce everything which is used in a country in that country. So far as it succeeds, it checks the specialising of countries as the producers of one or two things. It is intended to give, and it does give, at some economic sacrifice, a greater range of employment, and a greater variety in the character and the lives of the people of the country adopting that system. It must also be admitted that the Protectionist policy of other countries has had a similar effect on this country. It has prevented the concentration of our activities into half-a-dozen "staple" industries, the produce of which would, under universal Free Trade, have been freely absorbed by nations engaged in specialising themselves in other directions, and has forced us also into a greater range and variety of employments. The direction of our activities has, therefore, been in considerable part determined by the action of others, and that the deliberately hostile action of Protectionist states. And thus, after this disturbing experience of the last thirty or forty years, we are in a position to judge of the effects of the "one-sided" Free Trade.

It might plausibly be argued on *a priori* grounds that the country constituting a severe protective system would select and seek to introduce, and to encourage by Protection the most desirable industries; that therefore the particular industries in this country which would be most injured by their protection would be our most desirable industries, and, as a consequence, that capital and labour forced out of these most desirable industries in this country, or perhaps rather, capital and labour which would naturally have been absorbed in the

expansion of these industries, would be forced into other and less desirable industries.

However apparently logical this *a priori* deductive argument may be, the facts disprove it, or rather show that other and stronger forces counteract and balance the efforts of foreign Protectionist countries to deprive us of our best trades. This great fact is clear to an impartial observer. We stand to-day, after foreign countries have done their worst to check their imports from us, with an industrial organisation engaged in the production of articles of higher and not a lower class, on the average, than those of our old staple trades. We stand with an industrial organisation equal to the employment of our whole population in good times. In times of good trade our labouring population is insufficient to meet the demand for "hands." Such unemployment as then exists is due entirely to loss by "economic friction," to defective industrial and social arrangements, and even if it were of a kind which could be utilised in those industries which are rapidly expanding, it would not suffice to supply the demands of employers who at such times are seeking workers. When bad times come and unemployment increases, it appears, so far as the imperfect statistics of employment available warrant a conclusion, to be a visitation of less severity here than in the manufacturing districts of countries with a protective system, and in particular less severe than in the protected industries in those countries.

But not only is our national industrial organism equal to the employment of our whole population in some fashion at some wages; our workers are paid higher nominal wages, and much higher real wages than those of any other European country. And this, surely, is

the best test of our manufacturing position as a nation, and of its stability. Within the circle of my personal acquaintance I can name manufacturers who tell me they could at any time double their production and export it all if they could engage labour at Continental rates.

What, then, is the secret which has enabled this country so successfully to adapt itself to a changing and hostile environment? The whole secret is our policy of "free imports." Free imports, by giving us every form of raw material, every semi-manufactured article, every finished article, every foreign tool and machine, has enabled us to do four things.

First, it has enabled us to a great extent to surmount the wall of foreign tariffs, and still to export our goods in competition in his own country, with the protected manufacturer, who in many cases is as much handicapped by the weight of the protective duties he has to pay on the elements of his production, as he is benefited by the protection of his finished product.

Second, it has enabled us to maintain our supremacy in the neutral markets of the world.

Third, it has made this country the cheapest area for the establishment of those new industries which the progress of science and civilisation is constantly creating.

Fourth, it has thrown into our hands great international trades, which, from their nature, are incapable of being effectively protected, such as the shipping trade of the world, and those numerous commercial and financial international services, which we do not perform for nothing.

To convinced and well-instructed Free Traders whose opinions are founded on knowledge both of the principles

and facts of international trade, it is not necessary to labour to prove these four points in detail. Any careful analysis of the official statistics of our foreign trade for the last sixty years will convince the student that they are founded on abundant evidence.

As illustrations of the first, that our cheaper production with the advantage of free imports, enables us to surmount the barrier of foreign traffic, I will give two examples. A leading spinner of fine yarns in former times did a large business in France and Switzerland. Successive additions to the tariffs of those countries destroyed his business, and he closed his agencies. Under the stimulus of more intense competition, and with the advantage of free imports and the best machinery bought at the lowest price, he has so cheapened and improved his product that the manufacturers of the finer goods in those countries have again sought him out, and, without the intervention of the agencies he formerly employed, his trade with France and Switzerland now exceeds that of the period of low duties. The other illustration is that of a friend and neighbour of my own, a maker of a class of machinery in which he has no monopoly or other advantage than the cheapness and excellence of his goods. He has given me particulars of his exports to France, Belgium, Germany, and Austria, showing an extensive trade increasing year by year in spite of duties ranging from 10 per cent upwards.

The proof of my second point, that we maintain our supremacy in the neutral markets of the world, is found in the general trade statistics of those countries. The countries of the continent of Europe import largely from China, India, Australia, and the Argentine, but they cannot pay for these imports by the direct exporta-

tion of the goods these countries want in competition with English goods. In great part, as the tables of imports show, we pay by our exports to these neutral markets for the continental imports, and they pay us, to our double profit.

My third contention, that, notwithstanding our higher wages, this country furnishes the most advantageous area for the establishment of new industries, is an obvious deduction from one of the most conspicuous phenomena in our industrial life during the last few years. On all hands we see the establishment in this country of new works by foreign firms, and these generally firms of the highest class and most extended trades. For their own country, under the shadow of their protective tariff their original works suffice, but when they aspire to produce for the world, and have to surmount the tariff walls of other countries, then they find they must produce under English conditions, and they come here to do it.

But the greatest advantage of the country of free imports is that I mention, fourth, that into its hands fall the great international trades which, from their nature, are incapable of being effectively protected. These trades consist rather in the performance of international services than in the export of material goods.

This country is the free market for all goods of all nations, and this has made it the international clearing-house for the international balances of trade of all the world. An enormous preponderance in the organisation and conduct of international trade has thus fallen into our hands, such as the finance, the insurance, the commissions and brokerages, and the merchants' profits ;

above all, the building, the owning and the operation of the merchant fleet. In merchant shipping and building we had no conspicuous lead among the nations sixty years ago. To-day it is not with that of any other country we can compare our merchant marine, but with that of all other countries together ; and in this comparison we find that, although the rest of the world put together can show a slight excess of tonnage, yet in quality, in efficiency, and total money value the balance is greatly in favour of this country. Our total foreign trade is not one-sixth that of the whole world, but we carry in our ships, not one-sixth, but one-half of the trade of the world. We do more trade between foreign port and foreign port, trade which never touches this country at all, than we do to and from our own ports. This shipping is our largest as it is our best trade, it distributes a far greater sum in the form of wages than any other industry, and these for the most part to the most highly skilled and best paid portion of the industrial population. It would be absurd to attribute this supreme position to the superior skill, energy, or aptitude for the life of the sea possessed by the Englishman over the foreigner. Under the régime of Protection, such measure of these qualities as he possesses failed to produce this fruit. The shipping supremacy of England is the creation of her Free Trade period, and the direct result of her Free Trade policy, assisted greatly by the Protectionist policy of other nations, which have one by one seen the growth of their tariff accompanied by the decline of their shipping register. The apparent exception of Germany is in reality a striking confirmation of this fact ; for in Germany the building and working of ships are conducted on a Free Trade basis.

Under all circumstance, and in all environments, sympathetic and hostile alike, whether those of free international exchange or those of "one-sided" Free Trade, we have found our Free Trade policy justified. Those who believe in the truth of the Free Trade theory look forward to the universal triumph of economic truth in some day which is to come. But we in this country who have practised it even in a Protectionist world, have found that Free Trade, like godliness, is profitable to us "in this life, which now is" as much as in that life of real Free Trade which we believe is to come.

There is no Free Trade movement in this country. Free Trade is fixed, settled, established, and, I believe, immovable. In Great Britain there is a Protectionist movement, and it is to this I must refer for a few moments.

The history of this movement is an interesting study in political pathology. The agrarian party in England, unlike the agrarian party in Germany, has always been a Protectionist party. They advocated pure Protection, naked and unashamed, Protection simply for British agriculture. They represented in its most intense form the spirit of Conservatism, social, political, commercial. To them the interests of agriculture represented the interests and the right of the rightful ruling class, and they looked back to the years of war at the beginning of the last century when the people starved, and corn rose to 126 shillings a quarter, as to a golden age.

Twenty-five years ago, with the revival of Protection abroad, a small party of Protectionists, under the name of Fair Traders, arose among our manufacturing classes. Their impelling motive was resentment, and their object rather retaliation than a perfect system of national

Protection. These two factions in the public estimation were rather two groups of eccentric persons than a serious political party, and their arguments as popularly presented were for the most part mutually destructive.

The sudden adhesion of a statesman of the unique authority and seductive eloquence of Mr. Joseph Chamberlain in one day changed the political situation. By his revival of colonial preference—an essential and most mischievous part of our old fiscal system, but one which had passed out of the minds of the people—as part of his programme of Fiscal Reform, he covered the repulsively selfish features of naked Protection with a veil which was attractive to thoughtless, patriotic, and Imperial sentiment.

The old controversy which we thought dead, revived, and for years raged again through the length of this land.

Three principal events marked its stages :

First. The General Election of 1906, fought almost entirely on this issue, which proved the overwhelming force of the attachment of the democracy of this country to Free Trade.

Second. The action of the Colonies, which killed any newly awakened enthusiasm for Colonial preference. The Colonies gave us clearly to understand, as it is entirely within their right to do, that preference or no preference they mean to continue to develop Protectionist tariffs on the narrowest nationalistic—that is, Colonial lines. They showed us that they regard a system of Imperial preference, not as giving them an opportunity to make an advance in the direction of Free Trade within the Empire, but as presenting an occasion for increasing their duties on the goods of other foreign countries.

Third. We have seen the revival of Protection established as the principal item in the political programme of the Conservative party.

It is this last event which gives many Free Traders some grounds for doubt and apprehension of the future. They say that sooner or later it is certain that in the changes and chances of our political life the Conservatives will return to power, and with them will come the end of our Free Trade period in England. Personally I regard these apprehensions with complete composure. Doubtless the Conservatives may return to power, but if they do, it is extremely uncertain whether it will be with a mandate to destroy the integrity of our fiscal system. But should such a Parliament with such a mandate be returned, my composure would still remain unshaken. The most sanguine of our Protectionist agitators recognise the fact that the real difficulties of their task would then begin.

In 1877, when Bismarck contemplated the increase of duties and general development of the protective system of Germany which he carried out two years later, he spoke of the task as a "Herculean labour." Prince Bismarck was a Hercules, and did not shrink from tasks to which only he was equal. But the construction of the tariff of 1879 was easy compared with the task of destroying the Free Trade basis upon which British commerce and industry are built.

In 1880 German foreign commerce was considerably less than a third of what our foreign trade reached twenty-seven years later. At that time Germany was practically a self-feeding state, and her industries were for the most part infant industries. She was in the stage of development Friederich List defined as that

proper for Protection. The imposition of the tariff of 1879 added considerably to the burdens of the consuming population, but it did not upset the whole fabric of an immense and complicated industrial and commercial organisation. Yet Bismarck considered it a Herculean task.

The difficulty of any extensive rearrangement of a tariff is great, but the difficulty of any rearrangement which involves a reversal of a national fiscal policy is almost insuperable, and can only be accomplished in response to a great national movement. Thus it is that the rulers of nations once committed to Protection can with comparative ease add gradually to the severity of their duties, but find themselves unable, in the face of the interests built up by the Protection, to reverse the process.

The whole of the splendid fabric of British industries and commerce rests on a Free Trade basis. To overturn and reconstruct this stupendous edifice upon another foundation is a task compared with which the Herculean labour of Prince Bismarck was the pastime of an infant.

No partial Protection would be tolerated by Protectionists—Protection for agriculture without Protection for manufactures, or *vice versa*. There could be no favoured categories of industries at the expense of others. I believe, and have no doubt, the British trades, in their infinite multitude and variety, with freedom of purchase from all the world, would thoroughly awaken for the first time when they saw a general tariff take visible form before their eyes. It would be to them a new thing. Even the manufacturers who vaguely clamour for Protection for themselves would fall away when they saw the cost of it definitely tabulated

and presented to them for payment. And above all, the great consuming public who could get nothing directly out of Protection for themselves, a majority in this as in every nation, would certainly refuse the sacrifice when the actual demand came.

There is no other country in the world in which popular opinion is so quickly effective in controlling Government action as it is in this country, and in such a situation as I have described I believe a Protectionist Government majority would dissolve like the untimely snow of summer.

A NOTE ON DUMPING

THE accumulation of capital in America, and its employment, is certainly a most interesting phenomenon, and it is having some very unforeseen results which have contributed strongly to confirm my Free Trade faith. When America began her Protectionist career, after the close of the Civil War, she was short of capital, and interest there was high. For years her Protectionist tariff had this result, among others : it made it profitable for English firms to transfer bodily their capital, their works, machinery, and even workmen to American soil. Now American manufacturers have grown to such an extent that the United States is a great *exporter* of manufactured goods. But at this point her Protection is ruining her chance, and her capitalists are not slow to see it. Protection, which, perhaps, did assist her infant manufactures, is so admittedly injuring her matured and gigantic manufactures for export that the tide has altogether turned, and, instead of English houses being transferred to American soil, the new American capitalist, whom the Colonial Secretary fears, is in many cases transferring his works for his most finished products for his foreign markets bodily to this Free Trade country.

I had a conversation a short time ago in America

with an American of great commercial distinction—I may say of genius. He foretold that the Americans would be able to deliver steel plates, rails, and other of the heavier iron products at any port in this country at lower prices than actual cost of production on the Clyde or the Tees. I did not and do not now share his sanguine expectation, but this does not affect his argument. He added: “But I expect you will get far the best of the change in conditions. It will revive to an extraordinary extent the prosperity of your old engineering and machine-making works in other parts of England. It will make England the most favourable place in the world for us, as well as you, to carry on the higher branches of the metal trades. We shall have the black countries, and you the garden cities with the highly skilled and well-paid engineers and fitters.” I asked him upon what he based this opinion. He replied: “Upon two things; first, you in England have undoubtedly the most skilled and intelligent, as well as most numerous operative engineering population in the world; and, second, your Free Trade policy has put you in a position to produce better work for a given price than any other nation.”

These things are facts appreciated and being acted upon by the keenest minds of those who have “accumulated capital in the great Protected countries.”

But it will be replied that figures, particularly recent figures, do not bear out this view. It will be shown that during the last few years—and I admit the last few years are the most significant of the new tendencies in commerce—the German exports have increased at a greater ratio, although not at a much greater ratio, than our own. And the American exports of manu-

factured goods have increased at a prodigiously greater ratio. But the figures do not tell the whole story. The amateur statistician in his library, who takes his figures out of Blue-books, gets the dry bones of the subject only ; he may know something of the anatomy of commerce, but he knows nothing of what I may call its physiology—its circulating system and its digestive system. The fact is, as is well known to commercial men who have their fingers on the pulse of commerce, that during the years of the boom in trade of 1899-1900 our prosperity was only limited by our capacity to accept and assimilate prosperity. Every mill, every colliery, every ship, and every man capable of doing work were employed to its and his utmost capacity, and a not considerable part of the exports of neighbouring nations consisted of the overflow of our prosperity which we were not able to accept at the time. I know personally of orders for locomotives sent abroad, not because the directors of railway companies here wished to send them abroad, or found any advantage in doing so, but simply because they could not get delivery guaranteed by English makers under a year and nine months. These engines swelled the list of foreign exports, but I may add the purchasers now wish they had waited. Again, the prodigious quantity of war material and supplies exported by the Government to the seat of war in South Africa did not appear in the Board of Trade returns, but their production employed our people, and diverted them from other productions which would have appeared in these returns.

I am unable to take the gloomy view of those who believe in the actual or prospective decline of British prosperity under our present Free Trade system. On

the contrary, I believe that with a little more attention to the technical education of our population, and a resolute adherence to our Free Trade policy, we shall see in the next generation a great progress both in the value and the quality of our exported products, and that whether Protective tariffs are kept up by foreign nations or not. I go so far as this. I believe these tariffs are bad things for the nations who keep them up ; I believe they are bad for the world at large, but I am not so sure they are a bad thing for us in particular. At any rate, I am by no means anxious, from the English point of view, to see America adopt Free Trade.

The supporters of Mr. Joseph Chamberlain avowed their expectation that, if not at the next General Election, then at the next General Election but one, the country would have been taught by a period of bad trade, and give a triumphant majority in support of his policy. The Free Traders and Tariff Reformers of America—that is, the whole Democratic Party and a section of the Republican Party—avow a similar belief in the triumph of their cause, not at their next election, but at the next election but one. If, unfortunately, both of these forecasts should prove true and the two events, the moderating of the severity of the present Protective system in America and the adoption of Protection in this country, should synchronise, then I should indeed look forward to England becoming commercially, in the language of the Colonial Secretary, “one of the dying Empires of the world.”

In his speech of 26th June Mr. Chamberlain made it more clear than ever that the central feature in his new fiscal scheme is to be a tax on corn of foreign growth, imposed as a means of strengthening the ties that bind

the Empire together, irrespective of the objects to which the proceeds of the tax may be devoted. He made it clear also that he contemplated a tax that might cost the working family "threepence a week additional on the cost of their bread." This figure indicates a duty of half-a-crown a quarter to start with.

A few minutes' examination of this proposal will show the extent and the limits of the operation of this new tie which is to bind in an economic unity the scattered dominions of Great Britain with the mother-country, and for the sake of which we are to submit to the taxation of food.

In this controversy India has small part and may be excluded. Of our white Colonies, Australia sends us a certain—or rather, owing to her liability to drought, a very uncertain—quantity of grain, and little else in the shape of food. Australia's chief exports are wool, the precious metals and ores, and her foreign trade is largely with other countries than England. South Africa cannot feed itself yet, therefore how can it feed us? It is only to Canada we look for any *really large* Colonial supply of food. It is of Canada we are thinking when we speak of a self-sufficing Empire in the matter of food supply. Now of the provinces which form the Dominion of Canada the maritime provinces do not send us any corn; the great French province of Quebec, with its two millions of inhabitants, sends us no corn; the great English province of Ontario, with nearly two millions of inhabitants, consumes just about as much corn as it produces. It is to Manitoba only that Mr. Chamberlain's eyes must turn for England's supply of grain. We, as Englishmen, are naturally proud of the rapid rise and prosperity of Manitoba. But let us

not be blind to the fact that our corn-producing Empire under examination has shrunk to the province of Manitoba.

Now Manitoba contains at present about a quarter of a million inhabitants, but its population is rapidly increasing, chiefly by immigration from the United States. In 1898, the English immigrants exceeded in number those from the United States. In 1901, only three years later, the number of settlers from the United States had risen to double the number of those from England, and this process is continuing. These men are doubtless excellent farmers and citizens, but we can scarcely expect them to prove excellent Imperialists. Submitted to analysis, therefore, this great imperial project of cementing the Empire by taxing our people's bread is seen to result in one thing only, and that one thing the acceleration of the process of Americanising the Western provinces of the Dominion of Canada.

Further, I should like to know how this policy of preferential tariff can possibly be worked in the case of Canada. We import at present so much foodstuffs from Canada set down in our tables of imports as Canadian; but it is not purely Canadian, it is in a large part the produce of the United States. Again, our tables of imports show so much food from the United States; but it is not all from the United States, it is, in part, Canadian produce. In summer, Montreal is engaged in shipping to the utmost extent of its capacity not only Canadian grain, but all the American corn and other things Chicago and Duluth can send down the Lakes, for Montreal is their cheapest shipping port—cheaper than Boston or New York. Again, in

winter, when the St. Lawrence is frozen up and Montreal is idle, the Grand Trunk Railway of Canada brings the Canadian produce through three States of the Union to its terminus at Portland, in the State of Maine, for shipment to Europe. At present goods pass through "in bond," and are exempt from the American duty of one shilling per quarter on imported grain ; but this is surely a matter of courtesy on the part of the United States. It is not likely this privilege would be continued. It appears to me that the United States would be bound by their system of retaliation and reciprocity to refuse free passage to grain shipped to compete with their own heavily taxed grain. They would probably simply collect our tax and put it into their own pockets. I notice this question has already been raised by an influential paper in New York, which remarks that it would be for the United States to decide whether a considerable quantity of the Canadian free food should be permitted to be shipped at all. We should also have to go back to the old system of "certificates of origin," but I cannot conceive any system of certificates of origin which could be devised to meet this case. We demanded certificates of origin of cargo in the old days of the Navigation Laws, and it was proved before a Royal Commission, which investigated this question in 1847-8, that they were even then entirely worthless. The captains of ships used to give these certificates as a matter of course, whether they knew or did not know the origins of their cargoes. Now, if it was an impossible system when a little ship took weeks to load, and every parcel was stowed away under the eye of the captain or his mate, how much more impossible would such a system be when a steamer takes a cargo twenty times as

large as those of sixty years ago, and it is poured into half-a-dozen hatches at once by steam and hydraulic power, working day and night, in a few hours. Imagine what questions would arise, what international complications and dangerous differences with the United States. I do not for a moment mean to suggest, nor do I think, that differences such as these could lead to actual hostilities with the United States; but I hold this opinion chiefly because the United States has much better cards to play than that. They could, first, make our preferential arrangement unworkable, and, second, they can at any time overbid us with Canada. Nothing we can do can prevent the United States from being much more to Canada economically than we can ever hope to become; for she buys, even on the present unfavourable treaty conditions, much more than twice as much from them as she does from us. A generous reciprocity treaty, leading to an ultimate Customs Union, would be a long step in the wrong direction in the opinion of us who value the Empire—a step half-way to separation.

Mr. Chamberlain's aim was to "cement the Empire." That is also our aim. We love the Empire but we distrust the cement. We have examined his cement and find it is not cement at all, and we strongly suspect it to be dynamite.

AN OUNCE OF APPLIED THEORY

Mr. Chamberlain once said: "Surely it is a mathematical truth that if imports come into this country of manufactured goods, which we can make as well as any other nation, they must displace labour."

When an unscrupulous controversialist makes a doubtful statement he is apt to endeavour to make it pass by such a preface as "it must be admitted" or "every one knows." And when he is about to utter, what may, in the classical language of Lord Cross, be termed a "thumper," he will be likely to say it is a "mathematical truth." Some economic truths may be expressed and illustrated by mathematical formulæ, but they cannot be proved or disproved by mathematics. But this particular "mathematical truth" is a foolish old economic fallacy, which can be proved false, not, indeed, by mathematics, but by logic, statistics, and practice.

The economic truth is that "if imports of manufactured goods come into this country" they do not displace labour, but they employ labour to make something with which to pay for them. The statistical proof is the fact that imports and exports rightly calculated do, and must, balance.

I can best illustrate the way this inevitable equation, proved first by deductive reasoning and next by statistics, works out in practice by an example from my own experience.

Some years ago, when a period of bad trade was coming upon us—exports and employment were declining, but imports were still increasing—I remarked to a friend, a large importer of provisions, that, unless things improved, imports would be checked. Being a practical man only, he ridiculed the idea, and said that he could always buy cheeses in Canada and sell them in Liverpool, whether I could export steel rails or earn freights or not. A few days later the financial machine which holds the balance of international commerce began to work.

Excessive payments being due to America, my friend found the exchange going against him ; the sovereign for which he sold his cheese would not buy so many dollars and cents to pay for it—his profits began to be cut. Then the machine turned another screw—the exchange reached the point at which it was profitable to send out gold—for if we really overrun the constable Mr. Seddon's gold sovereigns begin to go. Then, of course, the Bank acted, the reserve had to be protected ; up went the rate from 3 to 4, 5, and 6 per cent. My importing friend's profits had now almost gone. Then dear money forced weak holders to sell, and down went the price of cheese in Liverpool. My friend reduced his shipments as much as possible, but lost much money. Thus the great machine works and keeps the international balance true. Therefore, "if imports come into this country," even imports of manufactured goods, they employ and do not displace labour.

It is no answer to this argument to point out that Mr. Chamberlain carefully restricted his imports to those "manufactured goods *which we can make as well as any other nation*," and if we were to do so, would preserve both sides of the exchange in our own country. First, we do not import articles we can and do produce as well and cheaply ourselves. There is always some reason for importing. Second, if he meant articles we can and *ought* to produce as well and cheaply as the foreigner but do not, then the importation is justified to stimulate our manufacturers to produce what they can and ought to produce ; but in general it will be found that our productive forces are better employed in producing the articles taken in payment for the imports than in producing the actual manufactures we import.

IMPORTS AND EXPORTS

THAT imports are paid for by exports every intelligent man feels must be true ; that our imports are actually so paid for the Board of Trade Blue-Book proves to those who have taken the trouble to read it. The ordinary man of business, however, will admit it as a general proposition, and implicitly deny it in all his arguments, if he is a Tariff Reformer. The economic truth has taken no hold of him, because he does not see how the thing is done.

I will endeavour not to argue the question but to describe the process of international exchange in the ordinary terms of commerce, avoiding abstract economic technicalities.

Suppose you are an importer of American corn, all you care about is your imports, and you will go on importing so long as you can see any profit in it, and you do not see why you should cease to import the corn our people want because your neighbour cannot export his iron which the Americans do not want.

But you have to pay for your imports. The American who has shipped your corn to your order draws a bill upon you for the price at, say, three months' date, payable in London, and takes his bill in duplicate or triplicate copies, with his bill of lading, to his banker in Chicago

or New York, who pays him his cash, and, unless you fail to meet the bill, your American exporting correspondent hears no more about it. He disappears from the drama. In due course the first copy of the bill of exchange is presented to you in London by this American banker's London correspondent, a London banker, and upon your accepting the same, *i.e.* acknowledging your obligation to pay the price, you receive the bill of lading and the produce it represents. This first copy of the bill of exchange the London banker will hold until the date it becomes due, and when you have met it, *i.e.* paid the price, you disappear from the scene. But the drama is only half played out. You have got your corn, the American seller has got his cash, but your American correspondent has received his cash not from you, but from an American banker; and you have paid your cash not to him, but to an English banker. How is the international adjustment of the account made? That is the question. And when you have solved that question you become a Free Trader. It is a banker's question, and bankers are almost unanimously against Tariff Reform.

The bankers take up the business just where you left it. You and the American exporter have brought corn to England; they must get cash to America to pay for it. As we have seen, the American banker begins by advancing the cash himself and paying the exporter for your corn. But on the day he does so, and sends to England the first copy of the bill of exchange drawn on you for your acceptance, he also puts into circulation the second copy of your bill of exchange, with his own endorsement, to which his guarantee through his London agent, "in case of need"—that is, if you fail to meet the

bill yourself—is added. It is now an approved bill on London, the most convenient, the most sought after, the safest medium of remittance in the world.

Mr. Felix Schuster, the Chairman of the Union Bank, addressing his shareholders once said : “ Go where you will, in all quarters of the globe, in every civilised country, one might almost say in every uncivilised country, a bill of exchange on London is the one medium of exchange which always has a ready market. Shipments of produce from one country to another are, in most cases, settled by bills on London.”

Sure as the rising of the sun, that second copy of your bill of exchange with the first, containing your acceptance, pinned to it will turn up for you to meet on the due date. How did that second copy get to London ? An examination of the numerous endorsements will show. Probably it did not come direct from America, for America does not take our goods in sufficient quantities to pay directly for her exports to us. It has left America to pay for French wines or silks, or for China tea, or Java coffee, or West Indian sugar. It turns up in London as a remittance in payment for Manchester goods sent to India, or Cardiff coal sent to Port Said, or, perhaps to meet the payments of the dividend warrants to English shareholders in an Argentine railway, or the freight of a British ship. But it has always, in every case, without any single exception, been sent to London to pay some debt due by a foreigner to an Englishman. No one buys a bill of exchange on London, approaching maturity, and sends it to London for any other purpose. Even if, instead of being sent by one individual debtor to pay one individual debt, it is sent by a foreign banker who has purchased it, in a parcel with other similar

bills, to his London agent, as is often the case, the object is the same. The foreign banker only remits it in order to maintain in London a sufficient balance to meet the demands in London of the British creditors of his clients for British goods, freights, or dividends.

Thus America, which sells to us without buying back directly in goods sufficient to repay herself, is forced, by the operation of a law that cannot be evaded, to find in every case a substitute in some part of the world who has incurred a debt to Great Britain.

But the question is not yet answered, How is this balance maintained? Suppose there are no such debtors to be found, or not a sufficient number of them. Well, this adjustment is a delicate matter, and it is the business of international bankers to make and keep the balance true.

If, at any moment, they find that the claims of this country upon the world are not equal to the claims of the world on this country, they put down the rate of exchange on London, which is the same thing as the price abroad of bills on London. The foreign holder of these bills must accept fewer dollars and cents, or francs, for every pound sterling in the bills from the banker who remits them for collection. This is an immediate bonus to the English exporter, it is an immediate fine to the importer, it checks imports, it encourages exports. But if the excessive supply of importers' bills on London continues, the rate continues to fall, until it becomes more profitable to send the bills to London and demand and obtain the actual gold sovereigns and ship them abroad than to accept the dollars or francs which represent the current market rate abroad for bills of exchange on London. This is the gold point, below which the price

of bills cannot continue—for the movement of gold from our shores in any considerable quantity quickly and infallibly ends excessive importation. The Bank of England takes alarm, and puts up its rate of discount to protect its gold reserves, perhaps from 2 to 3, 4, or 8 per cent. Then dear money causes all prices to fall in England. Prices of stocks, of produce for export, of imported produce, all fall together, and weak holders on small margins are forced to sell. This fall immediately checks all import trades—the buying of goods from the foreigner, which can no longer be sold here for a profit at our reduced level of prices. The importer ceases his importing. It encourages the export trades, the selling of British goods, which can now be bought here at a lower price, to the foreigner for cash, which is what the Bank wants. The exporter again makes money and resumes his exporting. This law is not one that operates slowly—it is instant. Like land, every trade is cultivated to the point which those engaged in it consider the “economic margin.” At such a time as I have described the margin of the importing trades suddenly recedes: that of the exporting trades is suddenly expanded. Every great exporting house, with numerous foreign correspondents, has always on its books numerous orders which it has not been able to execute at the limits of price fixed by the foreign buyers. These orders are now rapidly carried out—in short, so soon as we feel the pinch of indebtedness we unconsciously begin to “dump” until we restore the balance. Thus the great financial machine keeps the international balance true, it stops our buying more than we are paying for, and, if we ever overrun the constable, we are at once pulled up.

SHIPPING AND FREE TRADE

ONE of the most firmly held articles of the British faith is the dogma that the sea is the heritage of the British race ; for 150 years we have sung that “ Britannia rules,” not only that considerable portion of the surface of the earth painted red upon our maps, but that very much more considerable portion painted blue.

This admirable faith has greater justification in fact to-day than ever it had at any period in the past, and we owe it to our glorious naval history and traditions—to Drake, to Blake, and to Nelson. We do not owe it to any similar lengthened period of the triumph of our mercantile marine, for we have enjoyed no such lengthened period of the supremacy of our merchant shipping. We have achieved our present commercial superiority entirely since our fathers adopted the principles and practice of Free Trade in general, and in particular since we renounced the monopolies and privileges, and freed ourselves from the shackles, of the old Navigation Laws in 1849.

Yet it is a fact that, great as is our superiority over any other nation, or any two, or any three foreign nations, in naval strength, the relative superiority of our mercantile fleet to-day is much greater still. It is not with this or that Power that it can be compared. It is no two- or three-Power standard that we maintain. The

only comparison which is not ludicrously disproportionate is that between the British Empire and all the rest of the world put together. It is with the abstract foreigner, whom he characteristically calls "our bitterest and severest competitor and rival," that Mr. Chamberlain compared us. And even in this comparison the mercantile navy of Great Britain alone, excluding the Colonies, shows a considerable preponderance over that of the rest of the world, if not in total tonnage, yet in value and in effective carrying power, as I will attempt to prove later.

In this paper I propose to show :—

1. That this predominance did not exist before we adopted Free Trade and repealed the Navigation Laws.

2. That it exists now.

3. That this superiority is the result of our Free Trade policy, applied both to our import trades and to shipping ; and

4. I will point out some of the dangers to which British shipping is exposed, and the disadvantages under which it labours, and indicate what I consider the true national policy to adopt towards it.

First—That this predominance did not exist before we adopted Free Trade. "It may be assumed," says Mr. Cunningham, an authority on economic history, "that in the Middle Ages the shipping of the Italian Republics and the Hanse League excelled that of England." The chance of England did not come, in fact, until the discoveries of Columbus and Vasco di Gama opened the Western and Eastern oceans to commerce, which, until that time, had been confined principally to the Mediterranean and other inland seas. At this period we had an enterprising sovereign, Henry VII., himself a merchant shipowner. His sentiments on the

subject of foreign commerce were most admirable. In instructions to commissioners appointed to negotiate treaties of commerce, he said: "The earth being the common mother of all mankind, what can be more pleasant and more human than to communicate a portion of all her productions to all her children?" These sentiments were worthy of Richard Cobden; but Henry's policy was not so enlightened, and he followed the earlier examples of Richard II. and Edward IV. in enacting and endeavouring to enforce the strictest navigation laws, restricting English merchants to English shipping. Whatever the reason may have been, we find that Spain and Portugal and afterwards Holland took the lead in the new ocean traffic—so much so that 100 years later, in 1603, Sir Walter Raleigh wrote: "The merchant ships of England are not to be compared with those of the Dutch. The Dutch give free customs inwards and outwards for the better maintenance and encouragement of navigation, and the encouragement of the people in that business." Consequently the Dutch were the great carriers. He continues: "We send into the East kingdoms yearly 100 ships, while the ship-owners of the Low country send thither 3000 ships," and he adds in words strangely familiar: "Our Russian trade is going."

Our position, however, was improving, and in 1666 Sir Henry Petty estimated that the

Dutch shipping tonnage amounted to	900,000 tons.
English " " "	500,000 "
French " " "	100,000 "
Hamburg, Dantsic, Denmark, and Sweden	250,000 "
Spain, Portugal, and Italy	250,000 "
	2,000,000 "

At this time English shipping was subject to the celebrated Navigation Act of Oliver Cromwell (1651), an Act which was called the great Charter of English shipping, the principles of which remained in force until the Navigation Acts were finally repealed in 1849. This Act enacted that "no goods or commodities whatever, the growth, production, or manufacture of Asia, Africa, or America, should be imported either into England or Ireland, or any of the plantations of Great Britain, except in British built ships, owned by British subjects, and of which the master and three-fourths of the crew belonged to that country." And from Europe nothing was to be imported "except in British ships, owned and navigated by British subjects, or in such ships as were the real property of the people of the country or place in which the goods were produced, or from which they could only be, or most usually were, imported."

Under the protection and fetters of this law, modified and relaxed in various details and in various parts of the world by special treaties, our commerce was carried on for two hundred years with varying fortunes. The Navigation Laws which expressed the wisdom of our ancestors were fair copies of those of other nations. Our laws prohibited a Spanish ship bringing a cargo to England from the Spanish South American colonies; but had we permitted it the Spanish law would have forbidden it, for Spain enforced a monopoly of the trade with her colonies. In the international race all competitors were pretty equally handicapped.

In the light of the present, the most remarkable thing about this long period appears to me to be that during the whole of it we can discover no indications of our

ever attaining our present superb supremacy. At the end of it, when we finally surrendered Protection both of our trade and our shipping, we were making no progress in comparison with other nations, and in some respects were declining. For example, although after the great war in 1815 the shipping tonnage of the United States was not half that of the United Kingdom, in 1850 the American mercantile marine was very nearly equal to our own in total tonnage, and greatly exceeded it in efficiency. The Americans beat us both in the number of their steamers and in the speed, efficiency, and beauty of their sailing ships. The celebrated "Baltimore Clippers" and "American Liners" almost monopolised the carrying trade between Great Britain and the United States, and no improvement was made in the building of ships in the United Kingdom until after the repeal of the Navigation Laws in 1849. The best historian of this period says: "So long as British shipping was protected they had so much reserved to them they relied on Protection, and did not exert themselves to compete with the United States for the Atlantic trade on equal terms."

The primacy among maritime nations at the period of the abolition of the Navigation Laws can only be doubtfully awarded to this country. The United States then a weaker Power with a smaller population than our own, had grown to be a dangerous rival, and was rapidly improving her relative position. It is true our total tonnage of shipping was some four millions of tons to her three and a quarter millions of tons, but in quality she surpassed us greatly. Not only was her steam tonnage more than double that of Great Britain and her Colonies, but, as I have said, her sailing ships were

the finest and fastest in the world. We were worthy and well matched rivals in the race. But we had arrived at the parting of the ways. We took the Free Trade path to the right, which has led us to a real sovereignty of the seas. America, a few years later, definitely took the path of Protection to the left, which has led her to a decline almost to the point of the extinction of her foreign shipping trade.

The Repeal of the Corn Laws in 1846 was immediately followed by the movement of 1847 and 1848 for Free Trade in shipping, which resulted in the abolition of the Navigation Laws in 1849 by the Government of Lord John Russell. With the conservatism they have invariably shown, the shipowners clung to their protection. In 1848 the Shipowners' Society of London issued a manifesto in which they said: "If the Navigation Laws are repealed, 'Rule Britannia' would be forever expunged from our national songs, the glories of Duncan and Nelson would wither like an aspen leaf, and fade like the Tyrian die, and none but Yankees, Swedes, Danes, and Norwegian sailors would be found in our ports." The movement for freedom of shipping was led, not by Cobden, but by Mr. Ricardo, a brother of the great economist and banker, David Ricardo, who was then a Member of the House of Commons. The Cobden Club reveres the memory of Richard Cobden, but it would be the last body of men to forget to do honour to those who worked at the same time for similar objects on lines parallel with his. In the work of the emancipation of British shipping, the name most to be honoured is that of Ricardo, and after his name that of Lord John Russell. In 1847 Mr. Ricardo carried the appointment of a Select Committee to consider the

Navigation Laws, and the evidence brought before this Committee and Mr. Ricardo's report sealed the doom of those laws. In 1849 they were repealed, after severe resistance in the House of Commons and by a section of the shipowners in the country, by the Government of Lord John Russell.

The debate on the Second Reading of the Bill in the House of Commons was a notable and historic debate. In it Mr. Disraeli declared that : " If Canada had not a Protective duty on corn restored to it as demanded by the Legislative Assembly, Canada would be lost to the British Crown." " Woe to the statesmen and to that policy which plucked this jewel from the Crown of England ! " I give this as an example of the prophecies of Protectionist statesmen in those days. Mr. Cobden was not the only prophet. As if to disprove in anticipation Mr. Chamberlain's reckless statement that Free Trade was adopted by this country only in the belief that her example would speedily be universally followed, Mr. Gladstone, in this very debate, stated that he had no such expectation as to the United States. " America," he said, in this debate of 1849, " is not a lover of Free Trade in the abstract. The Protectionist principle is very strong in America, although it is not so strong with reference to shipping as to manufactures."

Doubtless the great expansion of the trade of the world in the first half of the nineteenth century was due to other causes than Free Trade or Protection. This expansion had rendered it generally impossible to maintain the mediæval system of the ancient Navigation Laws, with their chartered monopolies and exclusions. The whole system had become riddled with exceptions and exemptions and suspensions, due sometimes to

necessity, sometimes to reciprocal treaties. Earlier in the century, in 1813, the trade monopoly of the East India Company was abolished. The emancipation of the Spanish Colonies had thrown open South America. The complications and difficulties of the various Navigation Laws were so extreme that it became one of the most profitable occupations of the shipowner to study these laws for the purpose of evading them.

Great Britain emancipated herself from these fetters at a stroke, and other nations have found it impossible to maintain them. The relics of the ancient system survive in the present day chiefly in the form of the reservation of their coasting trades by many, though not by all, the civilised nations of the world, certain restrictions on their colonial trades, and in addition to this, in the case of the United States, the restriction of the privileges of the American register, with its exclusive right to the coasting trade, to ships built in America of American materials. The mediæval system in its old barbarous form has universally passed away, and for more than half a century Great Britain has carried on her oversea trade in the atmosphere of the freest competition. In all the previous centuries she possessed no superiority as a shipowning and sea-faring community, and at the time of the Free Trade revolution she might only with some doubt be placed first among mercantile maritime powers.

Second—That British predominance in shipping exists now. Mr. Chamberlain numbered British shipping among the trades that are “going.” In Liverpool, addressing an audience in the greatest ship-owning port of the world, he described it as a “house standing but with rot at the foundations.” He told the Liverpool

shipowners that "it is not progressing as fast as foreign shipping," and that "you have galloping up, at a greater rate than anything you can command, your bitterest and severest competitors and rivals." And he asked in tragic tones, "How long shall we keep it? How much shall we keep of it?"

In political rhetoric Mr. Chamberlain was a great artist, and I will not attempt to meet rhetoric with rhetoric. The plain, dry figures from the official tables are more eloquent than all the elegiac poetry of all the "tariff reformers."

For the year 1902 we are able to compare the tonnage of Great Britain and her Colonies with that of all the principal maritime powers, except Russia, which may be placed at something slightly under a million tons. The countries we class as "the rest of the world," include Norway, Sweden, Denmark, Germany, Holland, Belgium, France, Spain, Italy, Austria-Hungary, Greece, the United States (foreign trade), China, and Japan. We find that, while the total tonnage of the British Empire in 1902 amounted to 11,566,000 tons, and that for the United Kingdom alone to 10,154,000 tons, the total tonnage of all the countries I have named amounted to 10,891,000 tons; that is to say, the tonnage of the British Empire exceeded that of the rest of the principal maritime nations of the world, excluding Russia, while that of the United Kingdom alone very nearly equalled it.

But Mr. Chamberlain told us it is not positive statistics we must consider, but comparative statistics. It is not the condition, but the growth of our trade; not where we are, but whither we are going, that matters. He detected "rot" at the foundations, and said that we have behind us "galloping up, at a greater rate than

anything we can command, our bitterest and severest competitors and rivals." It required considerable ingenuity to discover a basis upon which to build a theory of the decline of British shipping. It was discovered by Mr. Chamberlain in the figures giving the comparative growth of tonnage of the British Empire and of the rest of the world between the years 1890 and 1901—the increase for the Empire working out at 1,400,000, and that for the "bitter rivals" at 2,200,000 tons. This figure, and another fact to which I will refer later, formed the sole foundation of the theory of decay; but examination showed there was "rot at the foundation" of the theory. The whole Empire seems to have been selected on this single occasion in order that the real advance of the United Kingdom might be concealed by the debit of Canada's loss of 300,000 tons of her old sailing ships. The real advance of Great Britain alone was 1,629,000 tons. Again, the "bitter rivals" figure at this period had been swollen by a new item by the creation of a new mercantile fleet by Japan, not out of the profits of her legitimate commerce, but out of her national resources, just as her navy had been created. Exclude Canada on the one hand, and Japan on the other, and we get a fair comparison between this country and her "bitter rivals." We find our own increase to have been over 1,600,000 tons, while that of all the other countries together, excluding Japan, was 1,200,000. In the year succeeding Mr. Chamberlain's picked period we added 450,000 tons to our register, and all the "bitter rivals" I have mentioned together, including Japan, added not quite 400,000 tons to theirs.

But great as is our preponderance in the tonnage we own, and satisfactory as is our advance in the quantity

of the shipping we control, we should make a great omission in our survey were we not to take account of quality as well as of quantity. A ton of shipping is not a thing of uniform value like a ton of lead or pig iron. In cost, in efficiency, in functions, ships vary as much as buildings vary. Many of the ancient sailing ships of Norway would be highly valued at £2 per ton—the new Cunarders cost something approaching £100 per ton. In efficiency the best authorities calculate three tons of sail as being equal to one ton of steam, the latter at the low speed of ten knots per hour. A mail and passenger steamer of twenty knots differs not only in degree, but in kind and in function, from a ten-knot cargo boat. Again, the efficient and profitable life of a modern steamer is not long, and the comparative average age of the merchant navies of the world is another element to be taken into account.

How do we stand in comparison with other nations in respect of the value, efficiency, and age of our mercantile marine? First, let us compare the proportion of our steam and sailing ships. We find that out of a total tonnage of the British Empire in 1902 of 11,566,745 tons

Our steam tonnage amounts to - 8,691,257.

„ sailing „ „ „ - 2,875,488.

But even these figures are not fair to the United Kingdom, for of this tonnage of 2,875,000 tons of sailing ships, 925,000 belong to the Colonies, almost two-thirds of their tonnage being of sail, while, in the ships of the United Kingdom alone, four-fifths of the tonnage is that of steamers.

Against these imposing figures let us range the steam and sailing fleets of the other principal maritime nations of the world.

In 1902 all the nations I have named together possessed, as I have stated, 10,891,000 tons of shipping. Of this total 6,625,000 tons was that of steamers, and 4,266,000 of sailers—almost in the proportion of three of steam to two of sail, against four of steam to one of sail in the case of this country.

Further, steam tonnage itself varies greatly, both in value and efficiency, and my second point in estimating the quality of our shipping is to compare the character and speed of our steamers with those of foreign nations. For this purpose I divide steam shipping into two classes: those with a lower speed than twelve knots and those with a greater speed. In the higher class I find that, while the United Kingdom possessed more than four and a quarter millions of tons of high-class steamers of more than twelve knots an hour speed, all the countries I have named together possessed little more than two and a quarter millions of tons of the same character. Taking the lower grade of steamers, those of less speed than twelve knots, a high shipping authority, the editor of the *Shipping World*, after long and careful research and compilation, in 1904 made and published an estimate which I believe to be unchallenged—that the average speed of British steamers of less than twelve knots is ten knots, and of foreign steamers in the same category the average speed is eight and a half knots, a prodigious difference in calculating the value and utility of these lower grade cargo boats. The same authority made as careful an estimate as it is possible to make of the comparative efficiency of the British and foreign mercantile steam fleets. Taking a ten-knot steamer as the unit, and adding or deducting from tonnage in proportion to the departure from this standard

of speed, to obtain the potential carrying power of British commercial shipping in comparison with that of the rest of the world, he finds that our potential carrying power is represented by the figure 16,445,000 against 13,061,000 for that of all other countries combined ; while if steam tonnage alone is taken the figures for this country and all other countries taken together are 15,834,000 and 11,555,000 respectively—for potential efficiency.

My last point, and a most important point, in estimating the quality of our shipping in comparison with that of other countries is the comparative age of the vessels of which they are composed. To take out from the registers of shipping the ages of all the British and foreign steamers and calculate the average, would be a labour too great to be undertaken, but we are not without the means of coming to a clear judgment as to the general superiority of British shipping in this particular also. We know that it is the custom of the British shipowner to sell his old and inferior boats to the foreigner and build new ones for himself. I find that no less than 300,000 tons of British shipping was transferred to foreign registers in 1903, and of this no less than 34 per cent. was built before 1880, 59 per cent. before 1885, and 71 per cent. before 1890. This in a single year. In that and the nine preceding years 3,633,000 tons have been so transferred, including 700,000 tons of sail, so that the yearly average of vessels transferred is 360,000 tons, mostly old. In the age and up-to-date character of our ships, as well as in speed, have we the advantage.

Our review therefore shows that in the quality as well as in the extent of our mercantile marine, we enjoy

a very considerable superiority, the extent of which, however, it is difficult accurately to estimate.

With a position of such splendid isolation as we enjoy, one asks, Where can be the weak spot, how can the most skilful archer discover the "joints in our harness?" Was Mr. Chamberlain deeper in the realms of visions and dreams than usual when he spoke of our "bitterest rivals galloping up at a greater rate than anything we can command?" The airy fabric of his vision is almost, but not entirely, a figment of his brain: it had a very slender real base. He or the industrious armchair statisticians of the Tariff Reform League examined the columns of official figures until they discovered not only the one I have quoted and, I trust, demolished, relating to the tonnage we own, but another that appeared to tell against this country. They discovered that the tonnage of foreign shipping which entered and cleared from our ports during the years 1890 to 1900 had increased not only at a greater rate, but actually to a greater extent than the British tonnage, and that this phenomenon was observable at foreign ports also. Between 1890 and 1900 the foreign tonnage using our ports had increased from 20 millions of tons to 35 millions, while the British tonnage had only increased from 54 millions to 62 millions. Clearly our trade is departing. Here is the "rot at the foundations."

It is a curious thing that the Tariff Reformers no sooner discover a phenomenon which appears to tell to the disadvantage of their country, whether it concerns shipping, imports and exports of manufactured goods, or proportion of foreign and colonial trade, than this phenomenon at once ceases to operate. They had no sooner called attention to this menacing encroachment

of the foreigner than it ceased. From 1900 to 1903 we find the process entirely reversed, and the tonnage of British shipping entered and cleared from our ports increased by $6\frac{1}{2}$ millions of tons, while that of foreign shipping increased by just over half-a-million tons. But even before these later figures were available, the use made of the striking figure of the increase of foreign tonnage using our ports from 1890 to 1900 is a proof that Mr. Chamberlain and his Tariff Reform advisers were, what I have called them, "armchair statisticians," and unacquainted with the vital forces and facts which their figures represent. Had they been practically acquainted with the trade they criticise, they would have known that a considerable portion of the foreign increase in our ports was due to two items,—first, the calls of the great German Atlantic steamers at Southampton, Plymouth, and Dover, at which ports they remained half an hour to embark or land a few passengers, and in no way touched the export and import trade of the country; and second, to the existence of a small number of new Channel passenger steamers, owned by the continental railway companies, which entered our ports daily all the year round, and were counted scores of times in the course of the year. Making allowance for these items, however, we do find that the foreign tonnage using our ports increased during a considerable period to a disproportionate extent. What inference would a practical commercial man draw from this phenomenon? He would see the extent and growth of our shipping, and that it is no less well employed than foreign shipping. He would suspect that entrances and clearances from ports are not the true test of shipping activities. He would suspect that these foreign ships

were being employed in the more local trades, that the inferior ships were, in fact, engaged in the inferior trades, and that the great long-distance ocean trades were chiefly in British hands. Examination would show that this was the case, and that the figures which disquieted Mr. Chamberlain have little ominous significance. I guard myself here and say little ominous significance, not absolutely none, for there was a slight residuum of reason in his argument and meaning in his figures which pointed to a weak spot in our policy—not our commercial policy, but in our national legal system, to which I will allude later when I come to consider the true national policy to adopt towards our shipping.

Third—That this superiority is the result of our Free Trade policy. I have now passed in rapid review our shipping trade, first in the pre-Free Trade ages, when it was small and gave no indication of attaining its present position and supremacy ; and, second, I have described it as it is to-day—the most splendid trade ever built up by human enterprise. We have next to consider to what this unparalleled success is due. It is easy and flattering to our vanity to say it is due to our superior national courage and aptitude for the life of the sea, to our superior inventiveness, energy, and enterprise. While I should be the last to deny the possession of these qualities to my fellow countrymen, I think no one will maintain that we are as superior to our fellow creatures generally in our courage, energy, and enterprise as we are in the tonnage and character of our merchant shipping. We may rightly be proud of Raleigh and Drake, of Cabot and Captain Cooke, but we cannot pretend they are superior as sailors and discoverers to Columbus, Vasco di Gama, or Tasman. In

the art and the science of shipbuilding the French have always been well to the front. In the great war, Nelson's best ships were those he had captured, of French build. In our own time the French have more than once given us a lead in naval construction : the first armoured ship was French ; it was the French who introduced the water-tube boilers, and constructed the first submarines. The coasts of Normandy and Brittany have always furnished hardy and courageous sailors and fishermen, and yet to-day France stands low in the scale of mercantile maritime powers, notwithstanding the extravagant subsidies she pays to her shipbuilders and shipowners.

America contests with us the honour of first successfully applying steam to navigation. Fulton's experimental boat in 1798 was four years earlier than Symington's *Clermont* on the Forth and Clyde canal. The *Savannah* in 1819 was the first vessel with auxiliary steam to cross the Atlantic. Both in the construction of sailing ships and in the improvement of the early marine engine, America led. As I have shown, at the time we adopted Free Trade and abolished the Navigation Laws, she was rapidly advancing to the first position. And now her merchant shipping for foreign trade has declined almost to the point of extinction.

What, then, is the reason of our supremacy in this trade—the most national, the most imperial, the most desirable, the most envied of all the trades that any nation can possess ? The reply, beyond all question or possibility of contradiction, must be our Free Trade policy, coupled as it has been with the Protectionist policy adopted, unfortunately for themselves, by other countries. To the first we owe our own prosperity, to the second our lonely pre-eminence on the sea. With the

adoption of Free Trade we at once took the lead in the race; with the adoption of Protection, with every increase of Protection and, in proportion to the severity of their Protective tariffs, have other nations fallen behind.

The Board of Trade have given a list of the principal countries of the world, ranged in the order of demerit according to the severity of their import tariff, headed by Russia with a tariff of 131 per cent., and America with 73 per cent., downwards through Austria, France, Germany, to Norway, and to Holland at the bottom of the list with its tariff of 3 per cent. In the amount of foreign mercantile steam shipping tonnage per inhabitant of the principal maritime nations, it is curious and significant to see how the order in which the nations appear is very nearly exactly the inverse order to that of the amount of their tariff. At the head of foreign nations stands Norway with one ton of shipping to every four inhabitants, then Denmark, Greece, and Holland. We descend through Germany, with one ton of shipping to every 34 inhabitants, France with 1 to 71, Austria with 1 to 110, until we reach the United States with 1 to 166, and finally Russia with 1 ton of shipping to every 330 inhabitants.

I do not wish to carry my inference from these figures further than is reasonable. Doubtless it is natural that maritime Norway should take to the sea to a greater extent than inland Austria. But it is clear that, among those nations to whom the commerce of the ocean is conveniently open, those who, in the words of Sir Walter Raleigh I have quoted, "give free customs inwards and outwards for the better maintenance and encouragement of navigation" are the nations which secure the trade.

In America, the greatest sinner in her Protective policy

and the greatest sufferers—in her shipping, the connection between cause and effect seems to be universally admitted. Witness after witness before the Commission on the Mercantile Marine lately sitting in the United States testified to this effect. “Other things being equal,” said one important witness, “it is not possible to compete with Free Trade in building and operating ships. I think that has been shown.” Another very important witness stated that “the present condition of the American merchant marine has been caused by the high Protective tariff upon all other products.” These are examples of the universal testimony. Cause and effect being admitted, differences of opinion arise when they come to consider the cure. The condition of trade in a protected country is never satisfactory to the country itself, and America is dissatisfied, and is faced with the two eternal alternatives claiming to be remedies, perpetually presented to Protectionist communities—Free Trade on the one hand and more Protection on the other. The majority of this Commission have reported in favour of a small additional dose of Protection, the minority in favour of a still smaller dose; but whether these reports will ever take form in law remains very uncertain. We, as British shipowners, can afford to regard either decision, both on this question and the larger one of a general reform of their tariff, with equanimity. Should President Roosevelt succeed in reforming their tariff the total volume of trade would doubtless increase, and their shipping, if emancipated, might share it. Should they add Protection to Protection we tighten our grip of a trade which they cannot altogether prevent expanding slowly from year to year.

It is impossible to resist coming to these two conclusions : (1) that the magnitude and prosperity of our mercantile marine is built upon the foundation of our Free Trade policy, and (2) that our extraordinary supremacy, our monopoly, is the direct and inevitable consequence of the protective policy of our neighbours. The laws which govern international trade, the great automatic mechanism of exchange, forces us to pay for our imports, and forces the sellers to receive our payments. To the best of their ability they exclude our cotton goods and our iron, and compel our payments to take the form of our shipping services. Professor Ashley, while fully admitting the accuracy of the theory of foreign exchange and the absolute inevitability of the commercial equilibrium, endeavoured to show that although the foreigner cannot altogether refuse our goods in payment for their own they can force us to send them our inferior articles, the products of our cheapest and lowest labour. How insignificant do his examples appear when set against not only our rapidly increasing exports of highly complicated and highly finished machinery, but still more when set against this invisible export, which is nevertheless our greatest and our best export—our shipping services.

Mr. Chamberlain placed in contrast our historic, healthy exports of what he calls our “ staple ” industries, the products of British labour, and those, insidious, spurious, invisible exports, which he seems to regard as some trick played upon the simple foreigner by millionaire importers to escape the honest payment for their imports by the honest produce of honest British labour. At Preston he said, “ In order to prove that there is one pound of exports for one of imports Mr. Asquith

has to go to invisible exports." And he goes on to say : " He," the British working man, " is being more and more paid with invisible exports. What does he get out of them—out of the freights ? He gets very little. The wages in the shipping trade, I am sorry to say, are a small and diminishing quantity." What does the reader think of that as an example of economic analysis ! Notice the confusion of thought in the statement that the British working man is being " paid," not " paying," with invisible exports—the ingrained incapacity of the Tariff Reformer to distinguish between debit and credit. According to Mr. Chamberlain, it is " what goeth out of a man " that feeds him, and " what entereth in that defileth the man." If an export be good or bad according to the amount of British labour it contains, I would ask, Where shall we place this export which is all labour and therefore invisible ? We export 70 millions' worth of cotton goods, but out of the 70 million the manufacturer has to pay 40 millions to the foreigner for the raw material ; but our shipping service, our greatest export, is all British labour. It consists of ships built and engined in British yards by British hands, by British material, officered, engineered, and generally manned by British subjects, provisioned and repaired in British ports, insured in British offices, and coaled with British coal. Every penny of its gross earnings, except only the small sum inevitably paid for dues and labour in foreign ports, goes into British pockets ; in good times a little remains in the pockets of the shipowners, in bad times it is all paid out, and is spent in feeding, clothing, and housing innumerable thousands of British citizens. This is the industry forming our great invisible export, out of which the

British working men "get very little." The slightest examination shows that not only is the shipping industry our noblest industry, and our shipping services our greatest export, though "invisible" in the Board of Trade Returns, but of all our exports it is that which has provided the greatest amount of well-paid employment at home.

And this great shipping industry of ours is the child of our Free Trade policy, assisted into its present position of lonely pre-eminence by the Protectionist follies of Protectionist neighbours.

4. Finally, I wish to add a few words of criticism. An English Free Trader cannot but be, in some degree, an optimist, but he need not be a blind optimist. I have already admitted there was a residuum of reason in Mr. Chamberlain's alarm at the growth of the entrances and clearances of foreign tonnage in our ports. But it is no "rot at the foundations" which is the matter with British shipping, nor any rot in any part of the superstructure. British shipping has been "wounded in the house of her friends." Her worst enemy has been in the past the British Parliament, and is at present the British Government—I say the Government deliberately, for Parliament, even this Parliament, has made several efforts to repair its own acts of injustice to our shipping, but without the co-operation or against the opposition of the Government even a majority of the House of Commons is powerless on a question of this character. The case against the Government is so well put by one of the very highest authorities in England on shipping and shipping law, Mr. Norman Hill, that I cannot do better than quote his words. He says: "How have we promoted our oversea trade,

and what encouragement have we given to our ship-owners ? ”

“ We have left them to work under obsolete rules and regulations made fifty years ago.”

We have insisted, and properly insisted, on such a “ standard of safety as has driven all but the best found ships from under our flag. But we have not insisted on the observance of this standard on foreign ships, even in the ports of the United Kingdom, and vessels sold under our flag, because they could not be sailed to a profit in compliance with our standard, have been allowed freely to trade in and out of our ports, in competition with our own ships.

“ We have made our shipowners liable to foreigners for losses arising in their business to an extent far in excess of that to which foreign shipowners are liable.

“ We have driven away a portion of our transit trade, and we have hampered the working of the remainder by the Merchandise Marks Act.

“ We have until lately extorted, at the expense of our shipowners, profits out of the lighthouses ; we still leave them to bear the whole cost of lighting the coast.

“ We have left the railways to be worked in the interests of the shareholders, whose object is naturally to secure the largest profits attainable from the carriage of our exports, without actually destroying any particular trade. We have not developed our canals. We have done, as a nation, nothing to develop our ports.”

In his effort strictly to avoid showing a party bias, Mr. Norman Hill says “ Parliament,” not Government ; but the succeeding passage shows that the House of Commons, whatever may be its temporary party

complexion, is willing to repair its own errors, and that its efforts have been thwarted by the Government.

Mr. Hill continues: "A Select Committee reported, in 1897, in favour of exempting the transit trade from the operation of the Merchandise Marks Act, but nothing has been done.

"A Select Committee reported, in 1902, in favour of the Board of Trade regulations being enforced against foreign ships equally with British ships, but nothing has been done.

"No less than six select or departmental committees have between 1822 and 1902 reported in favour of the abolition of the light dues, but nothing has been done.

"Has not Parliament some arrears to dispose of before it takes up the business of endeavouring to develop and remodel our international trade with the assistance of tariffs?"

We are Free Traders, and we are prepared to meet any foreigners and all foreigners in free and open competition in our own ports. We Free Traders have a special right to require that our own Government should not undermine our maritime supremacy by giving Protection to foreigners as against ourselves. This is the particular kind of Protection we most of all abhor. Government and Parliament should adopt an intelligent policy in the general legislation affecting shipping and our foreign trade; it should cease to tax our ports by the imposition of light dues, abandoned by other civilised countries; on the contrary, it should do all properly in its province and in its power to promote the improvement of our ports and the inland waterways, upon which the prosperity not only of our shipping but the whole of our foreign trade so largely depends.

I have attempted in this paper to show, in the most impressive manner possible—that is by the use of plain figures, more eloquent than any Protectionist rhetoric,—the stately figure of the British Mercantile Fleet, the visible incarnation of the Britannia that to-day, and more than ever to-day, is the ruler of the waves. And in contrast we have contemplated the pigmy, and in some cases decaying, squadrons of the Protectionist nations, once our rivals and superiors.

We have seen that this Empire was not inherited by us from past ages, but that it is in fact the last great conquest of the British flag, and that we have had to win it ourselves, upon the open ocean, in free competition with all other maritime nations. We have seen that we had no conspicuous superiority for the struggle to start with, either in our geographical situation, or our national characteristics. We have seen that one factor in its two aspects has dominated and decided the issue. Our Free Trade policy has given us our shipping prosperity, and the Protectionist policy of our rivals—rivals no longer—has converted the prosperity into a predominance amounting in many respects to monopoly. We have seen that the only wounds that have seriously hurt us have been self-inflicted, and that with fair treatment (and we ask no more) from our rulers, we may reasonably hope for British shipping a future that will equal and even surpass its past.

TAXING THE FOREIGNER

FREE Traders generally accept and teach the dogma once fairly expressed by Mr. Winston Churchill in the House of Commons, that, "as a broad general rule, it would be found true to say that there was no power in a Government to impose taxation outside the limits of its territorial sovereignty."

The ordinary Tariff Reformer, on the other hand, preaches, and doubtless believes, that to put a tax on the importation of foreign goods is to put a tax upon the shoulders of the foreigner.

To confute an ordinary Tariff Reformer of this description, a mere comparison of the contemporary market prices of imported articles in a country in which they are taxed with those of the same articles in countries in which they are free, will in general suffice for practical purposes to dispose of his argument.

But among Tariff Reformers there is a minute minority of honest and intelligent persons, not only claiming to be economists, but even posing as the exponents of the most modern and scientific developments of the old theory, who maintain that the exporting foreigner may, and often does, bear a variable share of an import duty imposed by a purchasing nation upon the goods he produces and exports; and in this view, it is not to be

denied, they have the support of later economists, who show by deductive argument and hypothetical examples how this may be brought about.

It can, of course, only take the form of the foreigner making a reduction in his price, following, and in consequence of, the tax his customer in this country has to pay ; and there is no way known either to economic science or to commerce of persuading or compelling the foreigner to accept a lower price, but the common market method of withholding or curtailing your purchases at the old price. The supply remaining the same, you must cut off or reduce the demand.

Therefore, if a tax in this country deprives, or threatens to deprive, a foreign producer of a valued or necessary market, he may, to some extent, reduce his price to maintain his sales ; and should he do so, that reduction is the measure of the foreigner's contribution to the tax. Granting the deductive argument, which means granting the theoretic possibility of the foreigner paying a portion of an import duty, it is only by careful induction from the actual statistics of a definite trade, combined with a practical knowledge of the conditions under which the article under investigation is produced in the producing countries and sold in the importing and taxing country, that a practical conclusion can be reached by the political student in any given case.

Whether the price of a particular article is raised by the whole amount of the import duty may be admitted to be not a simple but a complex question, and depends upon the varied reactions of the tax, first upon the demand and second upon the supply. If the demand of the importing State for the imported and taxed product remains practically the same, notwithstanding

the tax, the exporter will have no reason to notice or even be aware of the tax ; it will have had no effect on either supply or demand, and consequently no effect on the price of the article in bond, and the consumer will have to add the tax to that price and pay the whole of it. If, on the contrary, the tax reduces the demand of the importing State for the imported article, either by stimulating home production or curtailing consumption, then the foreigner either may or may not pay a portion of the tax in order to keep up his sales, according to varying circumstances. But the only circumstance which can influence the foreigner to reduce his price is for the importer to withhold or curtail his demand.

The cases in which the element of monopoly enters—that is, cases in which the producer is able to exact what may be called an economic rent in addition to the ordinary profits on the skill and capital employed—are cases in which it may sometimes be found possible to tax that rent, with a result similar to a tax on the rent of land, which economists admit has no effect on the price of the product of the land. Take as a conspicuous example of this the import of petroleum. I am not aware how far the trade in this article may be called a monopoly, but, for the purpose of this illustration, I will assume that the Standard Oil Trust, by amalgamation or agreement with one or more similar organisations, has established a complete monopoly, and is in a position to control or to disregard the comparatively and necessarily minute production of the native shale-oil makers. Further, I will assume the economic rent charged is a rack-rent ; that is to say, it has no relation to cost, but that the sellers have fixed the price of oil at what they have found to be the most remunerative point. To go

higher, although it could not bring direct competition in petroleum to bear, would bring into extensive operation the "Law of Substitution," and gas and electricity would cut into the trade in illuminating oils, and animal and vegetable oils into that in lubricating oils, and motors be driven by alcohol. In this case, what would be the effect of an import duty of $\frac{1}{2}$ d. per gallon put on to petroleum? If it be said the sellers would simply add the $\frac{1}{2}$ d. to the price, it may be asked, in reply, Why do they not add the $\frac{1}{2}$ d. now and put it into their pockets? But by the hypothesis, they are now charging a rack-rent, and cannot increase it without damaging their trade, by the introduction of other untaxed substitutes. Assume their profits are now 3d. per gallon, and that they have no unconquered market upon which to turn any oil refused by this country. It will then be more profitable to pay the whole tax and accept $2\frac{1}{2}$ d. per gallon profit than to lose more than one-sixth of their trade. To discover what would happen in this case is a purely statistical inquiry which I recommend to the Chancellor of the Exchequer. To tax a foreign import such as petroleum for revenue purposes, if an equivalent Excise duty were put upon native shale-oil, would be a measure quite consistent with Free Trade principles, and it would be a tax which would probably be paid, at any rate in considerable part, by the foreigner.

When we come to the taxation of an import such as wheat, which may be taken as the best example of an article produced and sold under ordinary competitive conditions over the widest area, the case is entirely different. The production of wheat extends over both the temperate zones, the consumption extends over the civilised human races, the price is a world price. There

is no grower of wheat but can obtain this price if he sends his wheat to market, there is no wholesale purchaser who can be compelled to pay more.

The question here is, If we put on an import duty, can we so modify our demand for wheat as to coerce the sellers, who are a large part of the world, to reduce their price to us, and at the same time necessarily to the whole world? It is, in effect, the same question as that put in the case of petroleum, but the conditions which govern the answer are different. There is no monopoly; there is no economic rent to be taxed beyond the rent of the land upon which wheat is grown; there is no organisation which can differentiate and make a preferential price; dumping is excluded, the commodity is an article of prime necessity, and there is no substitute.

The Tariff Reformer's argument to prove that the foreigner will reduce the world price in consequence of an import tax being placed on corn imported into this country ignores all these conditions, and runs thus: "The wheat-producing countries must produce and sell their wheat; they can only sell it here; therefore they will reduce their price rather than lose the great British market." This argument involves two assumptions, one as regards supply, that it is fixed and inevitable; the other as regards demand, that it is voluntary and can be withheld.

The first assumption is contrary to experience; there is no article the supply of which can be modified more easily than that of corn. Botanically, wheat is an annual. Land does not inevitably produce corn as a coal mine produces coal, or a petroleum well produces petroleum, or even as a vineyard produces grapes. True,

much land can grow wheat to greater profit, even at low prices, than other crops. But wheat is cultivated in all wheat-growing countries, down to the economic margin of wheat cultivation. The marginal land will turn from wheat with the slightest relaxation of the demand ; the marginal producer of wheat will change his product with the slightest motive. The assumption that he will continue to grow wheat at a lower price than that which was barely sufficient to induce him to cultivate it at all cannot be sustained, the production of wheat is not fixed and inevitable.

The second assumption, as regards demand, that the British market is so necessary to the wheat-producing world that it will reduce the world price to all the world, by the whole amount of a duty imposed upon British imports, in order to retain that market, appears to involve a curious lack of a sense of the proportion of cause to effect. This country, I admit, is the greatest importer of wheat, though by no means the greatest consumer. Her imports exceed those of all other importing countries taken together, but they amount in all to only about one-fifteenth of the world's production. It is a great assumption to make to argue that rather than lose a market for one-fifteenth of a product the seller will unnecessarily reduce his price for the other fourteen-fifteenths, including all his home market.

What applies to the wheat-producing world in general applies to each exporting country in particular, even to the Argentine, which in some years exports the greater part of its wheat harvest to this country ; for the Argentine, like other sellers, can obtain the world price.

But to argue as if Great Britain were able to withhold her demand is to assume a palpable absurdity. She can

neither withhold nor even postpone her demand. When the foreigner does for any cause raise his price now, no examination of the statistics of imports will enable the investigator to discover that we have been able in the most infinitesimal degree to bring him to book in the only possible way by doing without him. Nevertheless, although the effect is imperceptible to the statistician, logic forbids us to deny that a wheat-tax which raises prices will at the same time tend to reduce consumption, that some underfed people will be still more underfed, and that a reduction of consumption reacts and tends to lower prices again, and the extent to which it does this is the measure of the foreigner's contribution to an import duty.

Having made this admission to which I am driven by deductive reasoning, it remains to measure it. It is so minute the statistician has no instrument fine enough to detect it. We cannot reduce our imports, and never have been able to do so, when prices go against us, to any discoverable extent, and thus bring to bear upon the seller the only form of coercion known to economics or commerce to reduce his price. This imperceptible abstention from a few bushels of wheat is our sole weapon to coerce the growers and sellers of 3000 millions of bushels of wheat to reduce their price. I can only compare it to a scientific correction of an observation which it was necessary for Sir Isaac Newton to make after his discovery and formulation of the law of gravitation. Before that discovery he saw an apple fall from a tree, perhaps 15 ft. or 20 ft., and doubtless thought that was the whole of the phenomenon he was considering. After his great discovery he knew that scientific accuracy demanded that he should also note the fact that not

only had the apple fallen 15 ft. to the earth, but that the earth had also moved some infinitesimal portion of a billionth-billionth part of an inch to meet the apple. In the same manner and in something like the same degree modern economic theory demands that we should admit that the world price of wheat has fallen to meet the rise in British price caused by the imposition of a corn-tax, and some consequent reduction of purchase, and that to this extent and no more the foreigner pays the duty.

Hitherto I have considered a corn-tax, such as the late duty, imposed on all imports, foreign and colonial alike. The introduction of free colonial corn does not impair the validity of the argument, and cannot do so, until the day arrives, which not the most sanguine will place in the lifetime of ourselves or of our children, when the Empire will be able to produce more than all the wheat needed in this country, and resume an export to other European States. When this time arrives Preference will cease to operate to the advantage of the colonists and of the British Exchequer and to the disadvantage of the Englishman ; it will cease to have any economic or political value whatever either to this country or the Colonies.

But, until this time arrives, the tax will remain with its full weight on the home consumer, but the produce will grow gradually more and more into the colonists' pocket, and less and less into the British Exchequer. Concurrently with this process the infinitely minute and totally invisible contribution to the tax which theory demands we should assign to the foreigner will gradually diminish, until at the end it also ceases to exist.

September 3rd, 1908.¹

DEAR MR. PIGOU—You may remember that I ventured to criticise an article you contributed to the *Westminster Gazette* some months ago, on “Wheat Prices in England and France,” and that, in your not unfriendly rejoinder, you called my attention to your book on “Protective and Preferential Import Duties.”

The first occupation of my leisure in the Parliamentary recess has been to read your book with some care.

In the latter part of this book you make a definite quantitative estimate of the probable effect of the imposition of a 2s. per quarter duty on foreign wheat, with free admission of Colonial wheat, on British prices; and you conclude that British prices would probably rise by about 1s. 8d. per quarter, and foreign prices would fall 4d. per quarter in consequence of our tax, leaving, of course, a difference of exactly 2s. per quarter between the market price of wheat in bond and wheat duty paid. Having read and assented to your analysis of the factors which determine the result, and accepted the formula in which you state them, I come to quite a different conclusion.

I am a mere commercial person, and my commercial instinct tells me that what you think would happen would not happen. It tells me that the English price would rise to a figure within some infinitesimal and quite imperceptible degree less than the full amount of the duty, and further that this enhancement of price would continue until the time should arrive when the Empire produces the whole quantity consumed within its area, and seeks to export. Then the duty will at

¹A Correspondence with Professor Pigou, reprinted from the *Westminster Gazette*.

once cease to operate for the benefit either of the Exchequer, or the British or Colonial producer.

I think it is just as possible to make my forecast harmonise with your formula as your own. All depends upon the value you put upon the various "elasticities"¹ concerned.

In the text of your book you state these various elasticities thus :

The price will rise more nearly to the full extent of the tax :

(1) the more urgent is the British demand for the taxed commodity ;

(2) the smaller is the increase (per centage) in the quantity of the commodity offered in our market, from home and colonial sources, in consequence of a given price change ;

(3) the greater is the decrease (per centage) in the quantity offered from the taxed source ;

(4) the greater is the quantity supplied from the taxed relatively to the untaxed source.

You apply these conditions to the problem of the probable rise in the price of wheat in England under a 2s. preferential tax, and I think I am stating your argument fairly, and for the most part in your own words, in putting it thus :

1. That because the total foreign production of wheat is six times that of the total production of colonial wheat, "a change of price capable of adding one million quarters to the colonial growth might be expected to add six millions to the foreign growth." This appears to be likely and may be conceded. But you proceed to draw the following inference:—

2. "Therefore, if we are to obtain from the world at large the same amount of wheat after the preference

¹ Elasticity is measured by the proportion in which a given proportionate change in price alters the quantity supplied or demanded (Marshall).

as before it, we must expect the price of colonial wheat to rise about six times as much as the price of foreign wheat falls." And, applying this rule, with a correction due to the addition of the home supply, you arrive at a probable rise of price in England, due to a 2s. per quarter tax, of 1s. 8d. per quarter.

This conclusion appears to me to be based entirely on only one of your four factors which you have stated must combine to the result, viz. on No. 4—the relative dimensions of the two sources of supply. It assumes an absence of elasticity in No. 1, the British demand, and absolutely equal and compensating elasticities in (2) and (3), *i.e.*, that a change of price sufficient to *add* one million quarters to our colonial supplies must be just five times greater than the change in price, in the opposite direction, required to *check* our imports from the foreigner by the same quantity of one million quarters, and thus "to give us from the world at large the same amount of wheat after the preference as before it."

To me it appears probable that the two latter elasticities will not act in opposite directions in the manner you assume.

Elasticity (No. 2), viz. that of the colonist and home producers striving to increase their supplies, will be difficult, costly, and slow to operate.

Elasticity (No. 3), viz. that discouraging the efforts of the foreigner, on the contrary, would operate cheaply, easily, and instantly.

I can illustrate this from my own business. When the demand for tonnage and the rate of freights decline to a rate excluding all margin of profit, I lay up my least profitable ship at once. My elasticity in this case

is instant. On the other hand, when demand for tonnage is good and freights are high, it costs me both time and money to meet the demand by building a new ship ; my elasticity in this case is slow and costly.

In the case of land this difference in elasticities is even greater, for a large quantity of the land on the economic margin of wheat cultivation could, almost if not quite as profitably, be put to other uses than growing wheat, and, at the worst, land does not deteriorate by lying fallow as my ship does.

But the actual case does not create any necessity to assume a reduction in foreign production at all. The increasing imports of wheat by Germany and other continental states, and the increasing consumption of American wheat by American people, would far more than make up the slow and gradual loss of the British demand.

I should like to suggest to you that elasticity (No. 1), that of the British demand (n of your formula), might possibly be found to be a positive and not a negative quantity, for I think a rise in the price of wheat would increase rather than decrease the consumption in this country. To all but the poorest class it would make no difference ; if they had to spend more on bread they would spend less on theatres or holidays. The poor, who have a fixed small sum to spend on food, would be obliged to choose between less food and worse food. They would certainly choose the latter, save on their small comforts—meat, eggs, butter, etc.,—and actually use more of the dearer bread, for in England there is no lower grade substitute for wheat bread in common use. But this is a small point.

I take, therefore, elasticity No. 1, that of the British

demand, as a positive, and not a negative, quantity, though a small one.

I take elasticity No. 2, that of the colonial and home supply, towards an increase of supply, as difficult, costly, and slow to bring into operation—a generation or two must pass according to the estimate of the most sanguine, before the Colonies could fully respond to the stimulus.

I take elasticity No. 3, that of the foreign taxed source of supply, as being easy, cheap, and instant to bring into operation—a culture now carried on to the economic margin of production ; one in which there is neither difficulty nor cost in turning a portion of the capital and labour employed into other and similar industries, presents the condition, to use a term of physics as a metaphor, of a “ perfectly elastic fluid.”

Taking these values for these several kinds of elasticities, I arrive at the following conclusions, that under the tax—

(1) The British will not use less but rather more wheat.

(2) That the Colonies will not be able to supply the whole Empire and enter the open market as competitors for a generation or two to come ; that during this period they will maintain their monopoly price to the full extent of the monopoly, *i.e.*, 2s. per quarter.

(3) That the foreigner will produce wheat, as he does now, down to the economic margin of the profitable cultivation of wheat, and will decline to produce at a loss—that he is under no economic compulsion to do so—that the marginal producer would at once turn to something else if his margin disappeared, but that this would probably be unnecessary, for the increasing demands of the continent of Europe, and of America would absorb his product.

In short, that if the British taxpayer chooses to put a 2s. tax on imported wheat, he puts that tax on himself

and on no other, to the full extent of that 2s., if the increase in the imports of wheat by the continent of Europe, and the increase in the consumption by the United States should be equal to the reduction in the British demand, or in the unlikely event of this not proving to be the case, less some inconceivably small and imperceptible proportion, a proportion which must be so small as to be imperceptible, for it tends to disappear, and actually would disappear the moment it was perceived.

Having written thus far, I would venture to suggest that there is one result of a preferential import duty on wheat which you will agree with me in considering certain, which might with advantage be pointed out in a treatise on the subject. It is this, that whether the advance in price in this country be 2s. or 1s. 8d. per quarter, this advance will rule through the whole of the producing colonies as well as here, that all the inhabitants of the maritime provinces of the Dominion of Canada, which do not produce sufficient wheat for their own consumption, that all the inhabitants of the great provinces of Montreal and Ontario, which do not produce wheat for export, will have to pay the same tribute as ourselves to their farmers, and chiefly to those of the province of Manitoba, Alberta, etc., which contain a small population, who form even now, under Free Trade conditions, the most prosperous community in the Empire.—Yours very truly,

RUSSELL REA.

DUNROD, GOATHLAND, YORKS.,

September 3rd, 1908.

DEAR MR. RUSSELL REA—Thank you very much for your letter about preferential wheat duties. I gather that you agree with my formula, and that the real question at issue is as to the actual facts of elasticity. I quite agree that, on certain assumptions as to elasticities, your conclusion would follow, just as mine follows from the assumptions that I make. The point, therefore, is which assumption is the more reasonable. Your result requires the elasticity of supply from foreign countries to be much larger than from the Colonies ; mine requires the elasticity to be the same from both. Of course it is impossible to *prove* either assumption to be right. But, as against what you say in favour of yours, I would put the following considerations :—

1. You make the important point that elasticity is likely to be much smaller in respect of *increasing* supplies than in respect of *decreasing* supplies from any source ; *i.e.*, for rises of price than for falls of price. Indeed, it is upon this point that your whole argument seems to rest.

(a) Here I would draw a distinction between immediate and ultimate effects. It is possible that an increase of *production* in agriculture would not be brought about quite as quickly by a change of price as a decrease would be. Yet I doubt whether the difference would in the present instance be very great ; and, in any event, my argument has to do with ultimate effects only, that is to say, with the effects that follow after Preference has been in vogue several years, and things have settled down.

(b) Your remark as to the increasing needs of the world for wheat surely tells against your argument ; for it suggests that in respect of *both* elasticities we may have to do with increasing supplies ; not in the one case with increasing, in the other with decreasing, supplies.

2. I agree that it is possible that the elasticity of the English demand for wheat may be positive. This certainly *used* to be the case ; but I doubt if it is appreciably the case now. So far as it is, this circumstance would, of course, as you say, enhance the effect of Preference in raising prices.

On the whole—I am afraid this is very hurried—I quite agree that the issue turns on the *facts* as to elasticities, and that these facts can only be guessed. My 1s. 8d. was only meant for an estimate based on very imperfect data.—Yours very truly,

H. C. PIGOU.

September 8th, 1908.

DEAR MR. PIGOU—I thank you for your kind reply to my long letter. The importance of the question to those who, like myself, seek to reach correct and not to establish foregone conclusions, and the weight which attaches to your judgment must be my excuse for troubling you with a much shorter letter than my last.

I cannot altogether accept your view that my remark on the increasing needs of the world tells against my argument. I think you are wrong in saying it suggests that “both elasticities have to do with increasing supplies.” It does suggest an increasing *supply* within the area of the operation of the preference, and an increasing *demand* outside that area ; the latter might or might not be accompanied by an increasing supply,

and in my opinion the outside supply would not increase, but would decrease, if the producer were compelled to face a diminished price for his wheat—in short, that the marginal producer would disappear with the disappearance of his margin. But the main and the important content of your letter is the admission which I expected you would make that “the whole question turns on the *facts* as to elasticities, and that these facts can only be guessed.” Therefore from my estimates of these elasticities my conclusion as to the probable course of prices is a logical conclusion, as is your conclusion from your estimates.

The forecasting of the operation of these elasticities appears to be a problem for the commercial man rather than for the economist. Given the condition of affairs we are assuming, it will be the business of the importing merchant to weigh these probabilities, and his profit will depend upon his weighing them accurately. If he speculates on that fourpence reduction in the price of wheat in bond, in my opinion he will lose his fourpence. But I don't think he will. When, if ever, the situation arrives, my commercial mind tells me he will estimate the probabilities as I have done.—Yours very truly,

RUSSELL REA.

INSULAR FREE TRADE

SECTION I

THE TWO THEORIES

THE FUNCTIONS AND LIMITS OF FOREIGN TRADE

BEFORE entering into the consideration of a theory of foreign trade, either the Free Trade theory or any Protectionist theory, it is necessary to have a clear idea of the functions and limits of foreign trade in a nation.

In the great economic controversy in which the people of this country have been engaged it has been an error, committed sometimes by Free Traders, and almost always by Tariff Reformers, to speak of our foreign trade as our "trade." Tariff Reformers have even published statements of our exports and imports, and called them our "National Balance Sheet." Nothing could be more misleading. To one nation a foreign trade may be a matter of small importance, and a very minute proportion of the national industrial energy be directed to the production of goods for export; to another it may be of the greatest importance; but, taken alone, its foreign trade is no measure of a nation's activities, its income, its prosperity. The truth is, the income of every nation is the produce of its own industry,

made either in its own home by its own citizens, or its own capital and the enterprise of its own domiciled citizens abroad—that and nothing more. The portion of this produce it may suit one nation to exchange for the produce of other countries is no indication at all of the quantity remaining which it does not suit such nation to exchange. The amount of foreign trade of a nation, therefore, is no sufficient indication of its activities or prosperity, and to speak of a table of exports and imports as a national balance sheet is absurd.

During the course of the fiscal controversy, Free Traders have pointed to the total sum of our exports and imports, and the amount by which these exceed, both in gross and per head, those of foreign nations, as in themselves a proof of our superior efficiency and wealth; Tariff Reformers have pointed to the more rapid growth of the exports of certain foreign countries in certain years as in itself a proof of our relative decadence in efficiency and prosperity. Neither of these arguments is economically sound. The foreign trade of the United States, for example, does not amount to one-third per head of that of the United Kingdom, but the average income of the American is now at least as great as that of the Englishman. It is, however, scarcely a real necessity to him to import anything at all. His imports of food are practically confined to sugar, tea, coffee, wine and spirits, and fruits; his imports of raw materials chiefly to silk, hides, indiarubber; and those of manufactured goods to special goods and articles of luxury, diamonds being an item of importance, not to staple manufactures for general consumption; while the great American exports of raw cotton and food stuffs are only rendered necessary as payment for

the prodigious expenditure of American citizens in Europe.¹

To different nations in varying degrees is a foreign commerce valuable, and to some necessary. To ourselves, who have to import most of our raw material, and half our food, a great export trade is not only valuable, but vital.

How shall we best preserve our great export trade by which we pay for our imports? Shall we continue our present policy of Free Trade, whatever course may be pursued by foreign nations, or shall we regulate our exchange by tariffs and preferences?

THE FUNDAMENTAL AXIOM ADMITTED AS THE BASIS OF BOTH THEORIES

I will not insult the intelligence of my readers by stopping to prove that foreign trade is really exchange and nothing else, that imports are paid for by exported goods and services and by nothing else. There is no living or dead economist, English or foreign, Protectionist or Free Trader, who doubts it. The Protectionist Professor Ashley calls the notion that imports are paid for by money which might otherwise "be spent at home," "the crudest of popular fallacies, which ought no longer to need refutation." That very able Tariff Reform champion, Mr. J. L. Garvin, says, "It is true

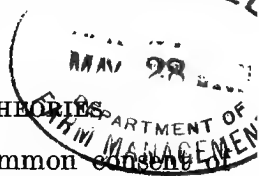
¹ The late Edward Atkinson, a few weeks before his lamented death, stated to the writer his reasons for believing that this import of the United States cannot be less than 60 millions, and may reach 80 millions sterling per annum. This is, of course, as genuine an American import as any which passes through an American Custom house. It is imported direct into the stomachs and on to the backs of American citizens, and in the supply of their various personal wants, and is paid for by the drafts which Brown, Shipley and Co., Baring Bros., etc., meet out of the proceeds of the sale of cotton in Liverpool, or corn at Mark Lane.

that every import must develop a corresponding export." Every international banker and bill broker conducts his business on this fundamental assumption, and proves its truth in practice every day. Yet, while every man with one grain of capacity to understand a perfect deductive argument, or any practical experience in international commerce, knows, and will explicitly admit, that exports pay for imports, nine-tenths of the arguments of the Tariff Reformers are implicit denials of this fact. All the arguments of various kinds of British manufacturers, who truly enough point out that foreign goods are imported into this country in successful competition with their goods, and that these goods might be made here, and British labour employed to make them, are arguments of this nature, they are implicit denials of the axiom that these imports are now being paid for, and must be paid for, by the produce of British labour, though perhaps not of the labour employed by the manufacturer advancing the argument.

It is necessary to be always on the watch for some implicit denial of this fundamental principle. For my own part, I always remember that when a man asks that the German iron or American window-frames should be excluded from this country for his benefit, he is asking, unconsciously, that my ship which is earning the money to pay for these articles shall be put out of commission and laid up.

THE PARTING OF THE TWO THEORIES

The fact being accepted by the common consent of all instructed persons, that exports and imports do and must balance, we are prepared to consider the rival



economic theories and policies—that of the regulation of imports by Protection, and that of Free Trade. Mr. J. L. Garvin says, as I have quoted already, “It is true that every import must develop an export,” but he goes on to say, “The vital question is, What do you exchange for what?” This is a perfectly accurate and fair statement of the point at which dispute arises between instructed Tariff Reformers and Free Traders. By instructed Tariff Reformers, I mean, of course, persons who have some knowledge of the theory and practice of the international exchange—first of products, then of Bills of Exchange, and then of bullion and the precious metals. Among the advocates of Protection in and for England, these men are a minute minority. They are to be distinguished from the vulgar intriguing manufacturer, who seeks to establish a corner at home. They are to be distinguished from those working men, fortunately few in number, who can see that they and their particular trade would profit at the moment if all the rest of the people would consent to be taxed for their benefit, and cannot see a step beyond. These men are the brain of the Tariff Reform party, and they profess, not only to be economists, but to be the most advanced and the most scientific of theoretical economists. They tell us that the old faith delivered to us as an everlasting gospel by Adam Smith and Cobden was no such thing, but was an excellent temporary system which it suited England to adopt some years ago; but to maintain that it is a policy fitted for every nation, at every stage of its economical development, is to write yourself down an ancient fossil—a petrified survivor of a former period of economic thought. The gospel of the modern “historical” and “scientific” school, put forward in

Germany by Friedrich List, and preached by his disciples and successors ever since, has, they say, entirely superseded the ancient doctrine, which they nick-named "Smithsianismus" and "cosmopolitan Free Trade."

In considering the rival theories, that of Free Trade as expounded by Adam Smith, preached by Richard Cobden, and adopted by England, and the Protectionist theory as promulgated by Friedrich List and his followers, and put into practice by almost all other countries, including our own Colonies, I shall not enter on the academic argument that Free Trade is the best system for all nations, in all possible circumstances, in all periods of their growth, that it is demonstrably right for all time and all space, as a general economic proposition. Still less shall I attempt to prove that no other national considerations than those purely economic should influence a national policy of foreign trade. I shall confine this argument to an examination of contemporary commercial phenomena, the growth and the present lines of development of international trade, considered specially in relation to this country, and attempt to show that, whether one holds fast to the theory of Adam Smith, or adopts the Protectionist theory of List, Free Trade is not only the best, but the only possible fiscal system for this country.

THE PROTECTIONIST THEORY

And first, what is this new learning, and what is the light we can gain from it? We find on examination that Friedrich List and his followers declare themselves to be the only worshippers at the shrine of true Free Trade, and that Richard Cobden's clumsy foot had

desecrated her temple, his sacrilegious hand had torn down her veil, and his profane tongue had uttered her mysteries to nations which had for long ages to live and labour before they could be ready for initiation.

Of Free Trade itself, the abstract "Free Trade," written in capital letters, and uttered in whispers, List, writing about the time of the institution of the German Zollverein, says: "In the Union of the three Kingdoms of Great Britain and Ireland, the world witnesses a great and irrefragable example of the immeasurable efficiency of Free Trade between united nations. Let us only suppose all other nations of the earth to be united in a similar manner, and the most vivid imagination will not be able to picture to itself the sum of prosperity and good fortune which the whole human race would thereby gain." And he piously adds: "Unquestionably, the idea of a universal confederation, and a perpetual peace, is commended both by common sense and religion." Having thus given us a glimpse of a vision brighter than "the most vivid imagination can picture to itself," he straightway slams the door of the temple, and says, "It is not for us or our children's children." The way to go is long and hard, and for each nation it has three great stages, long as geological periods, to be passed, not by one, but by all nations, before universal Free Trade can come. In the first, a nation will "adopt Free Trade with more advanced nations as a means of raising itself from a state of barbarism, and of making advances in agriculture; in the second stage, promoting the growth of manufactures, fisheries, navigation, and foreign trade by means of commercial restrictions; and in the last stage, after reaching the highest degree of wealth and

power, by gradually reverting to the principle of Free Trade and of unrestricted competition in the home as well as in foreign markets, that so their agriculturists, manufacturers, and merchants may be preserved from indolence, and stimulated to retain the supremacy they have acquired." Note that this last stage must necessarily be a state of one-sided Free Trade for the more advanced nations, until all nations have achieved the same level of economic development. This, says List, is the natural economic order, which would, in due course, lead to a millennium of universal Free Trade, if nations were composed of fleshless and bloodless calculating economic units. But the units and the rulers of a nation are jealous, passionate, human beings, and a nation has other interests and other ideals than those purely material and economic.

It is certain that the nations of the world will not consent to pursue the even scientific path of their natural economic development. Therefore, however sound the theory may be, the facts of life must be looked in the face, and even the sound economic theory must bend to a National Policy. Wars will happen, and a nation economically dependent upon other countries, either for food or manufactures, will be at a fatal disadvantage against a more self-contained people. Therefore, this natural economic order of progress, from an infancy of Free Trade, through an apprenticeship of Protection, on to a manhood of Free Trade, must be controlled and modified by considerations not economic but political and social. And thus arose the *National Economics* of List and his followers—the foundation principle being, in his own words, "Every great nation must seek, before all other things, the independent and

uniform development of its own powers and resources. Agriculture, manufactures, commerce, and navigation must all be developed in a nation proportionately."

It is now many years since List lived and wrote his greatest book, *The National System of Political Economy*. At that time the manufactures of Germany were insignificant, and her exports chiefly agricultural produce. His immediate object was to persuade his countrymen to enter upon his second economic stage, that of protection of their manufactures, that they might thus develop their own powers to manufacture for themselves ; and, to induce them to face a certain immediate loss and burden, he invented his celebrated dogma that immediate production and enjoyment are not the principal thing, but "Productive Power," and that, to build up a manufacturing productive power, it is worth while to tax an agricultural community.

Round this dogma the Free Trade and Protectionist argument in all countries of the world except our own, which had already reached List's third stage when his book appeared and to which, therefore, it had no application, has centred. It is on it the Protectionists have achieved such victories as they have up to the present won. It is the well-known plea for the protection of infant industries until they are strong enough to take care of themselves, but always in seeking to guide his countrymen through what he called the three great economic phases of development, through Free Trade to Protection, and then back from Protection to Free Trade, this national idea was the dominant one ; and he taught that the trade of the country must be controlled and restricted by imposts on *either* manufactures or agricultural produce so as to produce as nearly as

possible this internal economic equilibrium ; in short, that nothing should be imported that can reasonably be produced within the limits of the country itself.

Germany in later years pursued the policy of its most celebrated Protectionist teacher, and, although a great expansion of German manufactures was inevitable under any fiscal system, yet this expansion was stimulated by the protection accorded to her manufacturers, until, according to the " National " theory, it became excessive.

Professor Wagner, of Berlin, regarded with the greatest anxiety what he thought to be the excessive industrialisation of Germany, his views on this matter were shared by many others, and it cannot be doubted would be held to-day by List, were he alive. The tendency of the last German tariff was to redress the balance. While it added slightly to the duties for the protection of manufactures, it added much more largely to the duties for the protection of agriculture. Therefore, while it might have restricted our direct sales to Germany, it must have still more restricted her power to compete in other markets with us. This is quite as it should be, according to the Nationalistic theory. It is better that they should sell less manufactures, if they also buy less food, and if, incidentally, they have to eat less and wear less. That is their proper sacrifice to a patriotic theory.

This is the theory, in as few words as I can put it, of the theoretical, " historical," and so-called " scientific " Protectionist economist.

To follow it is, from the point of view of the world at large, avowedly economically, a policy of the " second best." It is directed, not to extend international trade, but to contract it within the smallest possible limits.

Nevertheless, we find it accepted and acted upon alike by foreign nations and our self-governing Colonies.

The great question put to us to-day is not what is the best commercial policy for the world, but what is the best policy for Great Britain in a world of nations which have adopted more or less thoroughly a Protectionist policy? Is it possible for us to persevere in our solitary course of Free Trade and live; or shall we turn our backs on Adam Smith and Cobden, and put ourselves into line with other nations, and follow List and his school?

APPLICATION OF PROTECTIONIST THEORY TO THE UNITED KINGDOM

We have, therefore, now to consider List's theory of a self-contained nation, "with its agriculture, manufactures, commerce, and navigation developed in strict proportion," in its application to England. If this ideal be accepted, with this Kingdom for its unit, then it must be admitted our Free Trade has been wrong, our manufactures, our shipping, and most of our foreign trade are wrong. We have twenty millions of people in this country who have no business to have been born. And the most wrong of all are the Tariff Reformers, who aim at increasing still further this national disease, the excessive development of our manufacturing side. What we must do on this theory is to tax imported food, so as to encourage its production at home, let in foreign manufactures free, so as to discourage our own overgrown industries. By this means, if severe enough, we should bring back some of our own surplus people to the land, and starve out or drive out others until the blessed

equilibrium was established. The German tariff was a deliberate attempt of this character, practised upon a nation which imported a comparatively small portion of its food.

The application of German economic theory, and American economic practice, in this form, with this country for its self-supporting economic unit, we may surely rule out of the range of practical politics. But the English Tariff Reformer of the neo-German Nationalistic school does not take this Kingdom as his economic unit. His unit is the Empire. There is no lop-sided development of manufactures in the Empire taken as a whole. Here is his ideal economic national unit. But he here comes face to face with an obstacle completely insurmountable. The unit refuses to unify. The British Empire is a great fact, but, unfortunately, it is not an economic unit in the sense required for a "National" economic policy. We have India practically a Free Trade country, with which we do as much trade as with Australia, Canada, and the South African Colonies put together, and we have these self-governing Colonies, each determined to work out its own national economic development in its own area, on the lines of strictly national—that is, Colonial—Protection. To speak quite frankly, I have more hope that Germany will find her tariff insupportable, and relax it—I have far more hope, even an expectation, that the United States will extensively reform her tariff in the Free Trade direction, than I have of a similar movement in any of our self-governing Colonies. We have to acknowledge the candour of our Colonial brothers. Throughout this controversy they have made it clear that, preference or no preference, their ideal is the self-contained nation

—their national economic unit is the Colony, not the Empire ; and the means they take, and mean to continue to take, to secure this end, is Protection, effective Protection, of their manufactures. Notwithstanding any small preference they may give us over other foreign countries, foreigners we remain, and the national economic unity of List is accepted by the Colonies, each for itself, as the ideal at which it aims—the economic equilibrium which will enable it to do without any foreign trade at all, either with the Mother Country or with other foreign countries.

On the theory of List and his followers, which our Tariff Reformers accepted, and did all they could by means of translations to make known and popular in this country, all these nations, and especially our own Colonies, are economically and politically right in being Protectionist in the present stage of their industrial development, with the exception of Germany and the United States, who have advanced far enough for the third or Free Trade stage. But even Germany and the United States, although not economically justified, may be politically right in retaining a Protectionist system. At any rate, at present they do retain it.

The practical problem before us, therefore, I repeat, is not the question whether, in the abstract, Free Trade is “the best policy for England.” On every purely economic theory it is. Adam Smith and Cobden teach that it was always right for England and for other nations, too ; List and his school teach that for England it was not always right, but it is right now in her advanced stage of economic development. So far the English Protectionist would agree with us. The position is that most foreign nations, in matters of trade, have adopted

the tactics of war, and we find ourselves solitary Free Traders, one-sided Free Traders, in a "world of Protectionists."

Surely, then, of all nations on earth we ought to be the most miserable. Every other nation is schooling itself, by painful tariffs, to do without us, and we are becoming more and more dependent upon others, and what will be the end of it?

CONSEQUENCES IF WE PERSIST IN FREE TRADE

The deductive economist of the Protectionist school proves to us by deductive reasoning what the end ought to be and what it must be; the whole catalogue of woes was set forth by Mr. Balfour in his "Economic Notes on Insular Free Trade." Our staple manufactures, the exports in which we used to trust, will be shut out; we shall have to pay for our imports all the same. How are we to do so? We are even now being "engineered"—Mr. Balfour's word—by the foreigners' tariffs out of one trade into another to pay for them; "necessarily" they say all these changes are from superior to inferior trades; meanwhile our manufactures are becoming continuously less and less necessary to the foreigner, we are at a disadvantage in the exchange, we must "necessarily" not only sell our inferior goods, the produce of low-class and sweated labour, but we must also constantly reduce our price to get them taken at all. It will become, in the language of Mr. Balfour, first "difficult," then "impossible," to obtain and pay for our imports; then will follow suffering, starvation, and wholesale emigration, until little England is reduced to a little fifth-rate, self-feeding state. All these things

will happen, said the deductive Protectionist economist must happen—have begun to happen. Meanwhile the British capitalist manufacturer, excluded from his old markets, takes himself, his capital, enterprise, and machinery to other countries, where he flourishes greatly under the shade of a tariff wall, when he has got to the right side of it.

These in short, and as fairly as I can put them, are the conclusions as applied to England the Protectionist deductive economist deduces from the theory I have already explained.

SECTION II

THE TWO THEORIES IN THEIR RELATION TO GREAT BRITAIN, TESTED BY THE EXPERIENCE OF SEVENTY YEARS

A theory however plausible, and deductions from it however apparently logical, must come to the test of the facts of life. Can the Protectionist confirm and prove his theory from the world of facts and figures which are available for the purpose? He maintains that he can.

1. THE PROTECTIONIST CASE FROM EXPERIENCE

The one great fact upon which all English Protectionists base their whole case, which they force Free Traders to face and answer if they can, is the phenomenon of the rapid rise and growth, not only of the total national product, but especially of the manufactures, and still more of the export of the manufactures of certain

Protectionist countries (particularly the United States and Germany), under their systems of protective tariffs. The more advanced Protectionist countries increased, not only their production of their manufactures, but their exports, in the last thirty years at a greater rate than England, a Free Trade country. What more complete vindication of the tariff system under which this was effected can be desired? they asked. All the arguments of Tariff Reformers are based upon this undeniable fact—are elaborations and illustrations of it.

What is the significance of this striking phenomenon? We Free Traders must face this question fairly, and show, if we can, that it is due to other causes than the protective tariffs, under which it has come into existence.

I decline to consider America, for any conclusion drawn from this fact in regard to America is useless for any economic purpose. With such a raw material as the best part of the richest of continents, that of North America, not half developed, with its land, its rivers, its mineral wealth, its immigrant labour, it is beyond the power of human folly to arrest its growth. Germany was a fair parallel, and may be taken as the strongest case in point. The great cause of the rapid rise of the manufactures of Germany and other nations is not difficult to discover, for it is the most conspicuous phenomenon affecting the human race in recent centuries. It is what is known as the "Industrial Revolution." With the forces of nature placed by modern science and invention at the service of man, it is no longer necessary that nearly the whole population of a country should be employed on the land to raise mere food, and in the primitive rural industries, and a large proportion has

transferred its labour from agriculture and village handicraft to manufactures, and removed from the country to towns.

Mr. E. Atkinson calculated that under favourable conditions, such as obtain on a great wheat farm of Dakota or Manitoba, one man's work for one year of 300 days will produce sufficient wheat to feed 1,000 people for the year ; that it can be carried through the flour mill and put into barrels, including the labour of making the barrel, at the equivalent of one other man's labour for one year ; that it can be moved from the far West to a flour mill in Minnesota, and thence to the city of New York, and all the machinery of the farm, the mill, and the railroad can also be kept in repair at the equivalent of the labour of two more men ; " so that the modern miracle is, that 1,000 barrels of flour, the annual ration of 1,000 people, can be placed in the city of New York, from a point 1,700 to 2,000 miles distant, with the exertion of the human labour equivalent to that of only four men, working one year in producing, milling, and moving the wheat."

This is an extreme example of a universal movement. As the agricultural population is liberated, and the mechanical arts grow, new occupations are necessary, new wants arise, new manufactures are born. In this stage of social and economic development, in this migration of the greater part of the population from occupations immediately connected with the cultivation of the soil to manufacturing and other pursuits, which removed them from rural districts and collected them in towns, we were a generation ahead of Germany and other countries. In 1870 the revolution in this country was practically accomplished, while in Germany it had

scarcely begun. At the beginning of the last century 80 per cent. of the population of the countries which now form the German Empire were engaged in agriculture. In 1870 two-thirds of the population was agricultural, while in England and Wales at the same date the proportion employed on the soil was not 17 per cent. Since that date the proportion of the population of Germany engaged in agriculture was reduced by one-half, the population inhabiting large towns of more than 100,000 inhabitants was increased sixfold, that inhabiting medium-sized towns of from 20,000 to 100,000 inhabitants was increased nearly threefold. Germany was drafting into the cities a large half-employed, underfed, under-paid rural population to found her new industries. We had no longer this resource, it had been long practically dried up, our agricultural countries were underpeopled, and the land was crying out for labour.

The sufficiency of this explanation of the somewhat more rapid expansion of German manufactures and exports than those of the United Kingdom must be obvious to anyone who considers the importance of the Industrial Revolution of the Nineteenth Century in its effect on the conditions of human life in Western countries. The movement to the towns in Germany was doubtless accelerated by her past protective policy in favour of her manufactures. But the process itself was a natural and inevitable stage in the development of a modern nation in modern conditions. It was inevitable under any fiscal system, and was anticipated by every man of reasonable foresight. That during its progress the growth of German manufactures and exports should have been more rapid than our own is a

consequence equally inevitable. It was the necessary result of modern forces far more powerful than tariffs. That the disparity was not greater during this period of the absorption of a great supply of cheap labour is not only a signal proof of our national efficiency, but furnishes a strong presumption of the superiority of our fiscal policy.

It is likely that in Germany, as in this country, this movement of population has now almost spent its force. The fact that the natural increase of the population in Germany is double that of the United Kingdom, that the birth rate is 25 per cent. higher than our own, and nearly 30 per cent. higher than that of the Colony of Victoria, will doubtless tend towards maintaining the growth of her industries, and of the exports necessary to pay for her increasing imports of food. An analysis of the conditions which produced and accompanied the expansion of her manufactures and exports leads to the conclusion that the Protectionist policy of Germany was rather a disturbing than a governing factor in her industrial evolution. It doubtless accelerated its earlier stages, it distorted its course of progress, and, under the latest tariff, it retarded the natural manufacturing and commercial expansion of the country in a manner approved by Professor Wagner and other Nationalistic economists, and doubtless intended by its "scientific" authors. And yet in the whole course of fiscal controversy I have not met with one argument by induction from experience which was not based upon the erroneous assumption that the rise of manufactures in foreign Protectionist countries was almost entirely due to their protective tariffs.

2. THE FREE TRADE CASE FROM EXPERIENCE

The nature of the proof required

In the days of Adam Smith the argument for freedom of trade was necessarily a purely deductive argument—that efficiency would be an effect of freedom, that the division of labour, which in the village and the nation had so incalculably increased production, would have a like effect if brought into operation on an international scale—that international trade is in truth simply an exchange of commodities, and that a “favourable” balance of trade to be paid in gold cannot be maintained permanently, and, if it could be, would be futile. These and other similar unanswerable propositions were the arguments of Adam Smith, and the logical deduction from them was Free Trade.

With two-thirds of a century of Free Trade practice behind them, British Free Traders have so great an accumulation of experiences, which add historical proof to inherent probability, that their difficulty is how to focus it all so as to bring it within the range of vision of the ordinary human being.

The general arguments for British Free Trade have thus altered in character; the old deductive argument has been supplemented and almost superseded in the arena of controversy by inductive statistical reasoning. The argument from experience has been added to the argument from reason, and the whole general case is thus far stronger than it was in Richard Cobden’s days.

But the present-day Free Trader has to meet another and more plausible, if not more formidable, argument. It is that which I have endeavoured fairly to put

forward, and it may be re-stated in a sentence thus : Cobden's forecast of a rapid universal victory for Free Trade principles has not been realised. The Nationalistic Theory has been adopted by almost every civilised country but this country. Whether it is a better theory or not than that of universal Free Trade is not the question ; as put to us now, the practical question for us is, Can we trade on Free Trade principles with nations who trade with us on Nationalistic Protective principles ? Can one-sided Free Trade go on for ever ? Peel and Cobden answered this question, which, it must be admitted, they believed would never become the practical question it is to-day, by abstract deductive reasoning, in the affirmative. " Hostile tariffs are best met by free imports," they said. After so many years of experience we have now to ask ourselves the question, Does this experience confirm their dogma ? Does the position of British trade, do the indications of the future, do the lines of the development of contemporary international commerce enable us to supplement Peel's dogmatic affirmation, by induction from the ample material available ? This is the task the Free Trader must fairly face to-day.

I shall endeavour to state the case of the British Free Trader, first, in its Static aspect, by examining the position to which two generations of Free Trade practice has brought us—the absolute and relative position of the international trade of this country ; second, in its Dynamic aspect, by considering its relation to the contemporary movements and the lines of development of international trade ; how far a policy which may have been wise and successful in the past is likely to continue to succeed in a world which

I assume, for the purpose of this argument, to be definitely committed to a Nationalistic policy.

The British Free Trade Case : (I.) Static

Tariff Reformers assume as self-evident that this rise and growth of foreign manufactures has been at our expense, to our loss. Is it not a fact, they inquire, that sixty years ago England was the workshop of the world ; we were not only first but alone in the production and export of the new manufactures ? Now other, and Protectionist, nations have approached, and in some respects passed us, and notably in the production of iron we have fallen back to the third place. Is not this in itself a sufficient proof of the error of our policy ?

The dogma that as England was once the sole workshop of the world, she should have retained the trade of the world in its infinite expansion—in other words, that the world should cut its coat according to England's cloth—is a proposition too absurd to require serious refutation. Yet it is an argument constantly in the mouths of our Protectionists.

We could not, of course, keep the whole, and the only useful question is, What have we kept, and how does it compare with the new manufactures of foreign countries and their exports, the conditions under which these goods are made, and the condition of the people who make them ? Any competent examination of the general production of the various manufacturing countries and their exports of manufactures will show three things :—

(a) We are keeping the first call on the trade of the world.

(b) We are keeping the best of the trade.

(c) We are keeping as much as we can do *in good times*.

And this position we maintain with a higher level of nominal wages, a still higher level of real wages, and shorter hours of labour than any of our Continental neighbours.

(a) *We are keeping the first call upon the trade of the world*

That we are keeping the first call upon the trade of the world is a broad, and perhaps a bold, general proposition to state. It can only be tested by a broad survey of the courses of the main streams of international trade, the significance of which, persons who are unable to extend their vision beyond an import of window-frames, or a contract for foreign horse shoes, are incapable of estimating. Such a comparison of the main streams of the distribution of our exports, with those of other and competing exporting countries, shows that the first call of the world is for British goods produced under Free Trade conditions; and that in foreign markets of all kinds we maintain our supremacy—

1. In the neutral markets of the world, *i.e.*, in those countries in which the import duties do not aim at the protection of native industries, as in China, India, and Turkey. Countries of this class send their exports largely to the Protectionist countries; they receive payment for them principally in British manufactures. In consequence, our exports to these countries greatly exceed our imports from them, and the nations receiving the produce of these countries have to settle the international account with us. Thus, China exports goods to the continent of Europe to more than double the value

of her exports to Great Britain, but she imports from Great Britain goods to more than double the value of her imports from the continent of Europe. The exports of India (by sea) to all foreign countries amount to almost double the value of her exports to Great Britain, but her imports from Great Britain are of more than three times the value of her imports from all foreign countries.

2. In the markets of the newer countries in which a deliberately adopted protective policy has not yet worked out its full results—as in our Australian Colonies and such countries as the Argentine Republic. In these countries the position is very much the same as in the neutral markets—the imports of British goods into the ports of the Argentine exceed the exports of Argentine produce to Great Britain by more than 50 per cent., while their imports from all other countries than Great Britain do not amount to half the value of the exports of Argentine produce to these countries.

That the great export of Australian wool to the continent of Europe is paid for by the export (without any preference) of British manufactures, is shown by the fact that the total Australian exports to other countries than Great Britain exceed those to Great Britain by a very considerable amount (13 per cent.), while the imports from those countries fall short of the imports from Great Britain to a still more considerable extent (about 50 per cent.).

It appears fair to conclude that in the two classes of markets, the neutral and the imperfectly protected markets, the superiority of British organisation and enterprise, and the superiority of the British articles of export in quality and price, enabled us to retain

the first call upon the trade, and led to an enormous increase (in the neutral markets I may say the doubling) of what our export trade with these countries would have been had it been confined to a direct interchange of commodities.

It remains to consider the fully protected markets, that is to say, the countries in which a complete system of protection has been in force for a sufficient number of years to enable it to produce all the effect in restraint of international trade which it is capable of producing ; such nations are Germany, France, and the United States. Year by year these countries find themselves enormously in our debt ; first, for our purchasing for them in the way I have shown a great part of their requirements from the outer world ; secondly, for our shipping services (we carry more goods for the group of the ten protected countries than we do for ourselves—that is, to and from the ports of Great Britain) ; and thirdly, for the gold they require for the renewal and expansion of their circulation, and for the arts—that is, for gold considered as a commodity, annually produced, distributed, and, in part, consumed. This gold they procure in great part through Great Britain. To keep straight with the world, and especially with us, they must export ; they, consequently, do export to us considerably more than they directly receive from us. But they cannot force us to take anything we do not want ; and the conditions under which they produce their export goods—their longer hours of labour, their lower wages—are an indication, and in part a measure of the relatively greater effort necessary to bring their export goods into effective competition in the markets of this country and of the world. The practice of dumping,

so far as it is practised, is itself an evidence of the shortage of a healthy and remunerative demand, and at the same time of the presence of economic forces of which the human agents are probably unconscious, and which demand exports to balance international accounts. This very short analysis of the main courses of international trade, so far as they affect this country, I think is sufficient to show that we hold, under our present Free Trade conditions, the first call on the trade of the world.

(b) We are keeping the best of the trade of the world

That we are keeping the best of the trade of the world is undeniable, if we are considered as what we are and must be, a manufacturing and commercial people. Whether it is a better or happier lot to produce and export agricultural and pastoral produce, I am not prepared to maintain; I can only express my surprise that so many nations of the world are so anxious to escape from this Arcadian state. But for us this is impossible, and we must compare like with like. The proposition that, as a manufacturing and commercial people, we are keeping the best of the trade of the world can be proved by a detailed comparative examination of that portion of our exports which passes through our Custom houses, and is published monthly in the Board of Trade returns, and annually in the Statistical Abstracts of this and foreign countries, which my readers can consult for themselves. They show that our exports are of the most desirable kind, in the main the produce of our most skilled and best-paid labour. But it is shown to a still greater extent in the character of what is called our "invisible" exports—that is our shipping and

other services, which are of a still more desirable character than even our material exports, and are of a nature in which we maintain a lead in many cases amounting to a virtual monopoly. (The question of this section is more largely discussed in a later section, that under the heading, "Is Our Trade Degenerating in Kind?")

(c) *We are keeping as much as we can do of the trade of the world in good times*

That we are keeping as much as we can do of the trade of the world in good times, which is my third statical proposition, will probably not be accepted by Protectionists so readily as the two former arguments, but the experience of seasons of prosperity and "booms" in trade amply prove it—that in good times we are keeping as much as we can do. The Protectionist at this point asks, "Is not the German taking our trade and throwing our people out of employment? What about the unemployed millions in this country, robbed of their work by foreign competition?" The answer to this persistently reiterated query is simple and direct. There are no unemployed millions of workers; they simply do not exist. We have no available reserve of unemployed for our ordinary industrial purposes. We are a fully employed nation, our existing industries are sufficient to absorb all available and willing workers *in good times*. Take the year 1899, or, to almost the same extent, the year 1906 and the greater part of 1907, as examples of good times. The comparative stagnation of the building trade in the latter years renders the former year the better for the purpose of illustration. It was a year of peace and booming trade; at that time our prosperity reached saturation point, we had as much

as we could hold ; we all know every mill, factory, mine, and ship, and every man had the choice of two jobs. Orders of all kinds were refused by our manufacturers, as I know by my own experience, both in my own business and as a railway director—orders which overflowed to the foreigner because we could not take them. It was the year in which the official statistics of unemployment reached their lowest recorded level—2·2 per cent.—of that part of the working population covered by the returns. It is frequently objected to the use of these figures of unemployment that they apply only to skilled workmen, members of the trade unions which make the returns. This is true, and it is doubtless also true, although we have no statistics to prove it, that, in times of depression, the proportion of the unemployment among the unskilled workers is greater than among the skilled. But in the good times of abounding trade the opposite is the case ; again I speak from pretty extensive observation and in the absence of official statistics—and I think it cannot be denied that in 1899 every unskilled able and willing worker in the country had a choice of employments. That 2·2 per cent. of the skilled men were out of employment is no indication that the total supply of skilled labour exceeded the total demand by 2·2 per cent. These unemployed men belonged to trades which, for some special cause, such as changes in manufacturing methods or fashion, had been left out of the movement. They could have been absorbed over and over again by the trades in which operations were limited by deficiency of labour, had they been fit and willing to undertake the work which there were not men enough to do. And yet this is a period in which notably German and American exports expanded

more than our own, and the Tariff Reformers tell us this was at our expense. If this were so, they are bound to tell us how we could have taken them on, what we could have done more than we did, or what we could have done better than we did.

“ If a man were Ferdinando,
He can do no more than he can do,
And he who more than this expects,
Is wanting in his intellects.”

HUDIBRAS.

It may be accepted as proved by the experience of good times that our industrial organisation is thus equal to the powers of our working population, and in such times to foster and stimulate one industry by Protection could not add to the sum of employment, but would be at the expense of some other more deserving industries, and at the expense of the consuming community in addition.

The Phenomenon of Unemployment

Whence, then, appears the phenomenon of unemployment of the fit and willing workers ? It is necessary to distinguish this from the great general problem of poverty, that of the aged, and the widows and fatherless children, the sick and disabled, and the unemployable. The unemployment of the willing and fit is a much smaller question ; it is doubtless in part due to the waste by industrial friction, to the supersession of one trade by another, and one class of workers by another, due to the introduction of machinery, changes of processes or to changes of fashion. It is thus the few *chronically* unemployed fit and willing workers are produced. But this class is very small, and the problem of dealing

with it is one well within the power of organised effort, without having recourse to heroic remedies. This class of unemployment exists in all countries, Free Trade and Protectionist alike, and no sensible Protectionist would seek to abolish it by Protection, for this would be to protect his country against the introduction of new industries and superior processes.

But bad times succeed good, and with bad times appears really extensive, but not chronic, unemployment in the best employed State and in the best regulated trades. In both Protectionist America and Protectionist Germany the swing of the industrial pendulum appears to be greater than in this country, and greatest in their most protected industries; and it is the backward swing which is the great cause of the unemployment of the fit and willing worker. The problem is almost entirely that of mitigating and tiding over bad times. It must be remembered that under these alternations every trade produces its own employment, and as a consequence its own unemployment in bad times, and it is quite obvious that as the substitution of fostered and protected industries for healthy and natural industries cannot add to the sum of employment in good times in a nation already fully employed, so it cannot diminish the sum of employment in the bad times which follow. For, I repeat, it is a fact too often overlooked that every trade produces not only its own employment, but its own unemployment, and to import a trade by tariffs and taxes is not a measure that will absorb the unemployed in bad times; it is to import unemployment as well as employment. This the Americans found when, at an enormous cost to other unprotected industries, they violently imported a tin-plate manufacture. That

I might read a full report of Mr. Chamberlain's speech in South Wales, in which he gave this as a striking example of pure profit to America and pure loss to us, I bought a Cardiff newspaper, and in the very same issue that recorded his speech I read these words in their market reports: "The condition of the American tinplate industry is most unsatisfactory, over half the mills being closed down, and the American Tinplate Company has reduced its quotation for plates by 20 cents on the 100-lb. box. Little business is said to be coming in from canners. Independent sheet mill owners have secured a reduction of 20 per cent. in wages." No such state of affairs at that time existed in South Wales. America had imported this unemployment, and her unemployment is always greatest in her protected industries. It is obvious the problem of the unemployed must be attacked by other methods than tariffs.

It is equally obvious that until some method is found of equalising employment and eliminating the lean years, the test of a nation's industrial employment can only be the degree to which it is employed in *good times*, and the amount the average of employment from year to year falls below this maximum. The application of the first test shows that our existing industries absorb all our available labour in good times; that of the second, that they possess greater stability and show less fluctuations of employment than those of protected countries.

Summary of the Case (Static)

From a survey of the present condition of the British manufacturing and export trades statically, that is to say, of the position in which our Free Trade policy has

placed us to-day, we cannot avoid coming to the following conclusions.

First, that in the infinite expansion of the consumption of the world it was a physical impossibility under any tariff system, or under a system of universal Free Trade, that England should remain the sole workshop of the world, and that the rise of other manufacturing nations was inevitable, and has been beneficial both to themselves and to the world.

Second, that this expansion of industry has not been at our expense, for, as a matter of fact, which can be observed and proved—(1) We are keeping the first call on the trade of the world ; (2) we are keeping the best of the trade ; (3) we are keeping as much as we can do in good times.

Third, that owing to the low price at which her policy of free imports enables her to buy what she requires for her work and life, and to the general efficiency of her working population, England is able to retain this position while paying higher nominal wages, and much higher real wages, with shorter working hours, than her Continental neighbours.

Fourth, that the problem of unemployment of fit and willing workers is common to all countries, and is a malady to be treated by other means than tariffs ; that the importation of new industries by protective duties means the importation of unemployment as well as of employment ; and that our Free Trade policy has to some extent moderated the alternation of good and bad times, which is the main cause of unemployment, and mitigated the severity of bad times on our industrial population.

Thus we reach the conclusion by induction from

the ample experience of sixty years, which Peel and Cobden had reached by abstract reasoning. We have found it true that the best way to meet hostile tariffs is by a policy of free imports.

The British Free Trade Case: (II.) Dynamic

There are Tariff Reformers who will admit the main part of the statical case. They will admit that Free Trade has up to the present, or rather almost up to the present, been our best policy. But they point out that conditions are changing and have changed. The nations of the world who have adopted nationalistic protective systems are one by one realising their national aims, they are becoming independent of us and our goods. Accepting this as their general proposition, they deduce the following "logical conclusions" as the consequences which must "necessarily" befall, and are now befalling, solitary, undefended, Free Trade England.

(a) That our markets are contracting, and we are trading at a constantly increasing disadvantage.

(b) That our trade, if not yet diminishing, is degenerating in kind.

(c) That British capital and British labour are flying to the protected countries, and will inevitably do so to an increasing extent.

These three conclusions, deduced as "necessary" and "inevitable" consequences of the general statement of the fact (quite undisputed) that almost all nations of the world except England have adopted the system of nationalistic protection, can also be examined inductively in the daylight of present-day facts.

(a) *That our markets are contracting, and we are trading at a constantly-growing disadvantage*

In the light of the trade returns of the last few years the statements with which the Tariff Reformers began their propaganda, that the exports of our manufactures were actually stationary or decreasing, have become too ludicrous to be noticed, except as a curious example of the power of a theory to distort an investigation of facts. But the theory they still hold, and it was best stated by Mr. Balfour in his "Economic Notes." It may fairly be put thus: As the area of national protection grows, so our accessible markets contract in number and area; although our exports may not yet show signs of diminishing, they must "inevitably" do so in the near future. Our imports are "necessities" to us, and are becoming year by year more necessary; our exports are not "necessities" to other countries, and are becoming year by year less necessary. Therefore, "necessarily," we can only induce other countries to accept our exports, which is our only way of paying our imports, by constantly reducing our prices; that, in consequence, our exports will become, first, "difficult," then "impossible," and our imports, first, "costly," then "unattainable."

These assumptions, if accurate, would by this time be susceptible of historical proof. They have, on the contrary, received disproof, as I have shown in the previous section, in which British trade is considered statically.

That we are not reducing our prices ruinously in order to get our exports "accepted at all" is proved by the figures given by the President of the Board of Trade

in answer to a question I put to him in 1908, showing that, although the prices of our exports and imports have greatly decreased since 1873—they have decreased almost to an equal extent—we have reduced the prices of our articles of exports by 44·3 per cent., while the foreigner has reduced his prices to us by 44·5 per cent. We are therefore getting rather more, and not less, foreign goods for our goods.

However clear it may be to the Protectionist theory that our markets *ought* to be contracting, and that our foreign exchange of products *ought* to be more and more disadvantageous, it is even more clear to the candid inquirer that what *ought* to happen and “ must happen ” does not “ come off ” according to the logical programme.

(b) That our export trade, if not yet shrinking in quantity is degenerating in kind

We are being “ engineered ” by foreign tariffs, out of our good old “ staple ” export trades into other and “ necessarily ” inferior trades. The Tariff Reform Commission pointed out that whereas in former times we used to make iron for the world, now both America and Germany have passed us in the production of pig-iron, and that our exports of that article of one of our greatest staple trades is insignificant. Professor Ashley says, “ England is turning apparently more and more to exports, the products of cheap, low-grade, and docile labour. Let us see,” he continues, “ what are the comparatively new exports which are taking the place of the old ? Coal and unmanufactured clay, apparel and slops, pickles, vinegar, and preserved fruits, oil and floor cloth, caoutchouc manufactures, soap, furniture, cabinet and upholstery wares, cordage and twine. Now,

I believe that all these are cases in which the bulk of the labour employed is cheap and unskilled."

What is our reply to these criticisms? It is that most satisfactory of all possible replies to a disagreeable proposition—a flat denial. Our exports are not inferior, the examples the Tariff Reformers give do not prove it, the examples they do not give prove the contrary. They complain that we no longer make pig-iron for the world as we did when our railways were the most extensive system in the world, and we were teaching other nations how to develop their own. This is their favourite example of our decline. To anyone who has the most superficial knowledge of our slender resources, both of iron ores and furnace coking coals, in comparison with the United States, a country which has a railway mileage ten times as great as our own, this complaint will appear the complaint of ignorance. Instead of supplying the world, as in the old days, America, Germany, and England, the three great iron-producing countries, each produces about the quantity of this raw material it is able to work up, and this seems to me to be a satisfactory arrangement of this particular trade. To make pig-iron for the world is not my ideal destiny for this country. That the Black Country should extend south from Birmingham as it extends north, until it fills the rich and happy garden valley of Evesham, now devoted to Professor Ashley's pickles and jams and preserved fruits, for example, would be to sacrifice the better for the inferior industry.

Of Professor Ashley's list of the inferior export trades into which he states we have been "engineered" by foreign tariffs, I have only three remarks to make. In the first place, they are very small, in the second place,

they are not inferior to our old staple trades, and, in the third place, we are not being "engineered" into them. I exclude the export of coal, for with expert knowledge I differ from Professor Ashley on this point, and I regard this as one of our best exports. It forms the basis of our exchange in bulk for our bulky imports. More than half is sent abroad for navigation purposes, and more than half is for British consumption abroad. In his first two trades, apparel and slops, our exports have not increased at all, but largely decreased during the years of the fiscal controversy; in his next five trades, pickles, vinegar, confectionery, jams, and preserved fruits, there has certainly been considerable expansion, but surely these are healthy and desirable trades; in all the other trades he enumerates in the same four years the increase does not amount to two millions in the same period, or 28 per cent., while our total export trade in British goods has increased by more than 50 per cent. An examination into the figures of the exports of the trades selected by Professor Ashley as examples of inferior and undesirable trades to which "we are turning more and more," proves that we are, in fact, turning to them less and less. These petty figures show to what shifts our deductive Protectionist economists are put when they leave their general conclusions, that such things must "necessarily" be, to examine the facts as they are.

All his examples are trifling when set beside our greatest *new* trade, and greatest *new* export—our shipping trade. I say new, for our supremacy in shipping dates only from our adoption of Free Trade, and is by universal consent a product of that policy. Its gross revenue is quite equal to that of all our home

railways put together. I will not trouble my readers with detailed figures, but a few main facts about this trade are easily remembered, and worth remembering. Vast as our foreign trade is, it is only one-sixth of the international trade of the world, but our ships carry, not one-sixth, but one-half of the trade of the world. We carry more goods from foreign port to foreign port—trade which never touches this country at all—than all our British trade amounts to. We carry more for the celebrated group of the ten Protectionist countries alone than we do for ourselves. To compare any other nation with us in this trade is ludicrous; to compare all other nations put together with us is to compare the inferior in value and efficiency, if not in tonnage, with the superior. That we have been “engineered” into this lonely pre-eminence in this trade partly by our own Free Trade policy, and still more by the Protectionist policy of other nations, no person who is qualified to have an opinion at all doubts. The nations who, by their tariffs, restrict exports of our “staple” manufactures to their shores, are forced by the natural law from which commerce cannot escape to accept the payments for their exports to us largely in the form of our shipping services. Is this a decline from higher trades to a lower one? Mr. Chamberlain said so. At Preston he said, “What does the working man get out of these invisible exports—out of the freights of ships? He gets very little. The wages in the shipping trade are, I am sorry to say, a small and diminishing quantity.” I will only say by way of criticism that, as a piece of economic analysis, this appears to be—incomplete. The shipping trade gets over 100 millions a year into its pocket. The railway companies get a similar amount, and pay nearly

half of it to their shareholders. The cotton trade gets as much, but it has to pay 40 millions to the foreigner for its raw material. The shipowners work on a capital of less than one-seventh of that of the railways, and what their shareholders get is a minute portion of their gross receipts; the rest, less a small sum for foreign port charges, is all distributed to pay the best class of British labour. Their ships are built and engined, re-fitted, and repaired in British yards and British engine works of British material, officered and engineered, and mostly manned by British subjects, provisioned in British ports, insured in British offices, and coaled with British coal. No other British industry gives so great an amount of employment to British labour of the highest class. To an island people our most necessary trade, politically our most imperial and coveted trade, economically our largest trade, and industrially our best trade, is our shipping trade. It shows no signs of losing its lead or any portion of its lead. In 1906 we added to our shipping tonnage ten times as much as Germany added to hers, and Germany is the only nation, except Japan, with a growing mercantile marine. Our shipping trade has only two things to fear—any departure from a Free Trade policy by England, or the abandonment of Protection by America and other countries. This is the great example of the success of foreign Protectionist tariffs in “engineering” us out of some old trades into other new trades. They have succeeded in “engineering” us out of some portion of our old staple trades, but they have “engineered” us into a better trade.

But there are other examples. Time would fail to describe the economic process by which the

Protectionist policy of other nations has secured the supremacy of the "Land of free imports" in the business of merchants, textile spinners and manufacturers, engineers and machine makers, distributors, brokers, bankers, and insurance. To say that we are being "engineered" into inferior trades is to say that bankers, merchants, brokers, shipowners, and officers and crews, skilled engineers and machine makers, are inferior to the old furnace men and puddlers, or the naked and parboiled men I remember in the sugar houses in my boyhood. No, British trade is neither decreasing nor degenerating.

(c) *That British capital and labour are flying to Protected countries, and will inevitably do so to an increasing extent*

This phenomenon, while only half understood, furnished perhaps the most telling argument of the British Protectionist. The British manufacturer, he said, shut out of a foreign country by a tariff, takes himself, his capital, his machinery, and sometimes his men, and flourishes mightily abroad, instead of starving at home, to our national loss. The fact that these emigrations of capital have taken place cannot be denied, but they are not so frequent now as they were in the early days of American Protection. But notice what follows to the Protected State. Notice how retribution follows, and in the end restitution, too. When its protected infant industries have grown to be protected giants, when they aspire to an export trade—a "world trade"—they find that, on the whole, the best results in product for a given expenditure can be obtained in the "Land of free imports," and one after another they

establish their works in England. They bring their German education, their American enterprise and organising power, and their capital to this country, when they establish themselves on British soil, pay British taxes, and employ the highest and best paid of our working population.

There can be no doubt that, during the last few years, the tide has turned, and this immigration of capitalist aliens has much exceeded the flight of British manufacturing capital to protected areas. It is one of the most conspicuous of the developments of English trade. And, observe, it is the very best firms who feel most strongly the attractive force of the Free Trade country. It is the largest maker of electric machinery in the world which came from America to establish itself at Rugby; it is the largest maker of mining machinery in the world which came from Chicago and San Francisco to start near London; it is the largest sewing machine maker in the world who established his immense works at Glasgow. Finding their European trade hampered by retaliatory tariffs, there is a growing disposition among the most wealthy and progressive American manufacturers, especially those who are cultivating and depending more and more upon an export trade, to look forward to the establishment of works in England, by which they would not only manufacture more cheaply, but their products would receive the benefit of the "most-favoured-nation" clauses in the commercial treaties of this country. It may thus be seen that the establishment of exotic industries can be due to two causes, which, though entirely opposite, exercise the same effect. There are many examples of English industries established in protected countries,

to which it was found impossible to export at a profit in consequence of their high tariffs. We now see similar foreign industries founded in this country as the direct result of our Free Trade policy. We English have many commercial deficiencies, we commit many commercial errors. We neglect our secondary and technical education, we despise foreign languages, our consular services do little for trade, we maintain our antiquated systems of coinage and weights and measures, our ports are not encouraged, and our canals are allowed to perish; but our Free Trade policy, like a beneficent fairy, interposes between our faults and their punishment. It brought to our shores and our service the finest products of German education and training, and attracted the best enterprise and most highly specialised skill and capital of America, to work out its full development in the "Land of free imports."

After a fair review of the condition of British trade dynamically as well as statically, not only what it is, but what it is becoming, it is impossible to maintain that our markets are contracting, and that we are trading at an increasing disadvantage; that our trade is degenerating in kind; or that England is losing her position as economically the best seat for manufacturing industries.

GENERAL CONCLUSIONS

FAILURE OF PROTECTIONIST THEORY AND PRACTICE

During the past generation we have seen the National Protectionist Theory of Taxation of Imports applied to new countries and old, to young and small com-

munities, such as our colonies, and to great continental states, such as America and Russia ; and we have seen Great Britain alone steadily adhering to her policy of Free Trade. The experience of two generations in which these two great opposing policies have been put into practice side by side, surely furnishes sufficient data for testing the two theories in the light of that experience. Adam Smith and Friedrich List each in his own day propounded his theory academically, and enforced it by purely deductive arguments, based on certain generally-admitted principles of human action. The fiscal controversy rightly proceeded on entirely different lines—it was been in the main an attempt on both sides to reason by inductive process from the mass of available statistics and experience.

I have endeavoured in these pages, without entering into the statistical argument in detail, to follow the latter method, to state what appears to me to be the broader general conclusions which may be accepted, in particular as regard the United Kingdom, as demonstrated by the logic of experience, and as shown in the statistical case presented by the advocates of Free Trade in the fiscal controversy ; and to consider these conclusions in their relation to the “ a priori ” theories and deductive arguments of the two great opposing masters of this branch of economic science.

The phenomena which emerge most conspicuously from this inquiry are two :—

First : The complete failure of the States which pursue the policy of national protection to realise their ideal—the self-sufficing State.

Second : The extraordinary vitality of the industries and commerce of this country, which in many cases

appear to turn to their profit, and to thrive on the very measures taken to injure them.

First—Failure to Benefit Protectionist Countries

It must be admitted that the very statistics of the growth of international trade throughout the world, selected by Protectionists to prove their case, prove that the economic policy intended to substitute internal exchange for international exchange—to import nothing which can be produced at home—has met with scanty success, and that the more advanced Protectionist nations pass through precisely the same stages of industrial evolution we have passed and are passing through. Germany takes to manufacturing industries, she constructs a tariff framed to stimulate their growth and export, and nevertheless she suffers the “melancholy” fate of all prosperous nations—an excess of visible imports; and she experienced a growing dependence on the foreigner for her food supply. (Meanwhile she has grown to be our best customer except India.)

America, in her determination to be economically “national,” perpetrates a McKinley tariff. At first she succeeds in reducing her visible purchases from us by 15 millions, or by 33 per cent., but the figure starts growing again; six years later she repeats the operation by the Dingley revision of the tariff with the same results, and now her visible imports from this country amount to 58 millions in value, or 11 millions more than the pre-McKinley maximum. Meanwhile her invisible imports from us leap forward continuously by tens of millions.

It is seldom realised by protectionists how few people

in the best protected countries directly or indirectly benefit by Protection.

America, with its high and all-round tariff, is, perhaps, the best example. In the United States, Mr. Edmund Atkinson made a careful analysis of the very complete Census returns made in that country, and he found that out of 29 millions of male and female persons "occupied for gain," only 600,000 benefit directly or indirectly in their business by the tariff; and the 28,400,000 who get nothing pay for it. The employment of these 600,000 persons may have been created by the tariff, but it cannot be supposed that they are a clear addition to the sum of the population and employment of the country, when it is remembered that the same tariff, which created them among innumerable other similar achievements, incidentally destroyed American shipping and the shipbuilding trade. In advanced countries the proportion of the population engaged in manufactures of some kind would probably be little affected by universal Free Trade; the manufactures would to some extent be different manufactures, in all cases the alteration would be to better manufactures for the particular country, the product would be sold for less money, the consumers—that is, the whole population—would have easier lives, and the national income would be greatly increased. But the proportion of national industrial energy liberated from primary rural industries, and devoted to manufactures, which it is the whole policy of national protection to regulate, would probably be scarcely affected in advanced countries.

Experience gives no confirmation to the argument so frequently, and apparently, so successfully, used by American Protectionists, that their protection is in any

sense a protection of the wages of the working classes. Seeing that no direct protection is given to labour unless it be imported from China or Japan, and that low-class immigrant labour flows freely into the country at the rate of a million persons per annum, no deductive theorist could argue that it could do so ; and recent statistical investigation has shown that, not only are the wages of labour no higher in the protected industries than in those in the same country which enjoy no protection, but employment in these industries is less secure, and that, in all, the increase in the cost of living, due chiefly to the Protectionist tariff, has more than kept pace with the increase in wages, while the contrary has been the case in this country. The whole of the enhanced cost due to protective duties represents in part a net economic loss due to the perversion of the national industry, and in part the swollen profits of a very small body of extremely wealthy capitalists, generally united in the form of a Kartel or Trust, but no part of it appears to reach the pockets of the working populations.

Doubtless the total effect of the Protection of the Protectionist nations has been vastly to diminish the total volume of international trade. Its cost to the people, especially to the poor portion of the population, has been beyond estimate, and has entailed a lower standard of living, dearer food in most countries, dearer clothing, and fewer comforts and luxuries in all countries ; but it has not fulfilled either of its two great purposes in any country, it has not built up a self-sufficing State, and it has not been the means of the building up of the great manufacturing powers of the advanced nations to anything like the extent commonly supposed either by Nationalist Protectionists or by Free Traders.

The nations of the world which have put into practice the national theory of Protection have thus found that it will not work in the modern world. They have paid the price, but they have not achieved the blessed equilibrium desired by List—the “proportionate development of their agriculture, manufactures, commerce, and navigation.” On the contrary, their foreign trades, import and export together, have grown for a period even more rapidly than our own, and the dependence of each on other nations is constantly increasing. We find that everything which ought to happen and must happen does not “come off” according to the logical programme, and we begin to suspect there are other forces and principles in the world of modern trade than enter into the Protectionist’s philosophy.

Second—Failure to Injure Great Britain

But how are we to explain the surprising fact that after forty years of severe Protection in America, after thirty years of growing Protection in France, Germany, and other countries, after the unanimous adoption of rigorous Nationalistic Protection in the narrowest sense by our Colonies, we, against whom alone these measures have been taken, remain with a prosperous industrial organisation equal to the employment of our whole available population; that we pay the highest nominal and real wages, and work under the best conditions; that we keep the first call on the trade of the world; that we keep the best of the trade; that we keep as much as we can do in good times? What is the explanation of this surprising phenomenon?

The explanation is, that the National Theory of Protection is foredoomed to failure, for it is directed

against modern forces far stronger than any that tariffs can control.

The forces of civilisation and contemporary industrial progress forbid national isolation. These forces, the growth of communications, the quickening and cheapening of carriage by sea and land, the increase of commercial intercourse and information, the rapidly-growing habit of travel, are all bringing the nations together, favour international trade and interdependence, and make for international friendship and peace. These forces create new international industries and services, and higher industries and services faster than tariffs can check the old ones.

We have seen that these higher and new industries gravitate to England, and thus it is that Free Trade England, dominated by the "demon of cheapness," instead of being isolated, extinguished, starved out, as the Protectionist theorist says she should, and must be, is able to secure not only as large a share as she can take, but is able to secure to herself the best of the trade. And thus the nation which holds and follows the morally higher theory of trade has its reward even in this world.

THE FUTURE

Before concluding my argument on the purely economic aspect of the development of our Foreign Trade, I must in a few sentences give my forecast of its probable future. It is, in my opinion, not only unlikely, but impossible, that the phenomenal growth of our exports and imports we have witnessed during the last few years can be maintained, and, further, it is not desirable that it should be maintained. Doubtless, foreign trade will

grow at a slower rate. But, as a nation progresses in industrial development, a constantly decreasing proportion of its energy is necessarily directed to the production of material goods suitable for foreign exchange. A primitive people must expend all its energy in catching and growing food to live. An advanced people expends a small portion of its energy in the production of food, and a constantly decreasing proportion of its energy in its old primitive "staple" trades. It advances to more specialised products for more elaborated and specialised needs—from the bread-and-meat it advances to the "pickles-and-jam" stage. Its increase is in quality rather than quantity, for when a nation has enough in quantity it does not require more things—it requires better things. And these better things are not the material of foreign trade, they are better houses, better cities, better communications, better education, better amusements. Study the last Census returns, and you will see a constantly increasing proportion of our people engaged on these better things: in transport and distribution, in Government and public works and service, in the fine arts and the applied arts and crafts, in education, and in recreation and amusements. As we advance in prosperity this process will go on, and these newer occupations are not the production of the material goods suitable for foreign trade. It is even probable we shall pay for our imports in an increasing degree by our services, and in a less degree by our goods. But our production of material and non-material wealth may then be much greater than it is now—its distribution may be better, our national income, our comfort, our prosperity may be greater, and our standard of living higher. And this brings me back to the point at which

I started, that our foreign trade is no measure of our whole trade, and our imports and exports are no measure of our national income ; and that our course of industrial and social progress in the future lies on lines for the most part distinct from foreign trade.

In my vision of both present and future you may consider me an optimist. Mr. Chamberlain called himself an optimist—"an incorrigible" optimist. Well, if he were an optimist, so were Jonah and Jeremiah. But one who believes in the truth, the present profit, and final triumph of Free Trade, must be an optimist.

THE ETHICAL CASE

NATIONAL AND INTERNATIONAL

In the foregoing pages, and in fact in the whole literature of the fiscal controversy, the case of Free Trade *versus* Protection has been treated as a purely economic question, a sordid business "proposition," which each nation must solve for itself according to its own view of its immediate industrial and commercial interests in the narrowest national sense.

That it has a deeper and wider significance, that it is a battle not only between truth and error, but between light and darkness ; that, in the realm of trade, it is a constant struggle of honest industry and intelligent enterprise against corruption and intrigue ; and, in the realm of political life, a struggle of the greatest influence for "peace and goodwill among nations" against international jealousy and strife, is an aspect of the question scarcely noticed in the din of the controversy. And the

reason of this is clear, it is that on the ethical plane there are no two sides to the question.

To the Protectionist nation itself the economic loss is of a varying and uncertain nature, but where it is greatest it is of far less importance to the community than the deterioration of the moral standard both of commerce and politics. The inner history of every modern protective tariff is a history of commercial and political corruption. When once it has been established in a democratic State, the minute minority of protected capitalists, in alliance in some cases with an agrarian party, always manage to rule the community in their own interests. Whatever may be the momentary subject of political controversy, whatever may be the issue of which the voters are conscious at a general election, at the back stand the financial potentates and monopolists to guard the tariff by which they live and were brought into being. If public opinion is becoming rebellious, public opinion is found to be an article which can be manufactured at a cost—newspapers are started or captured and subsidised, universities are endowed, the springs of truth and knowledge are poisoned, the fountain of justice itself is contaminated. Above all, the organisations of political parties are made secure, party funds are always insufficient, the “sinews of war” decide the event, and pensioners inevitably become tools.

These are the occult forces which strangle freedom in a free country—forces described in the *Protectionist Times* as “the forces which are sapping the life of the United States, the forces of greed, of corruption, and of wealth, organised more perfectly than ever before in the history of the world.” In England we have in the

long run "government of the people by the people for the people." It is an American who has said that in America they have "government of the people by the machine for the trusts."

But it is not so much in its national as in its international aspect that the strength of the ethical case for Free Trade lies. List himself speaks of Free Trade in its ethical aspect as "commended both by common sense and religion." The vision which inspired Cobden was of a world of nations in which growing international trade would bear the fruit of better mutual knowledge and greater mutual sympathy, and these together would weave a web to bind peoples together of such infinite complexity that a war would become both a moral and an economic impossibility. This great moral end he believed could be gained by economic means.

The end in view of the nationalistic Protectionist, on the other hand, is not peace, but war and efficiency in war, and its method is the "method of barbarism," a perpetual state of economic warfare. The ideal State of List is the economic unit which can gather its internal resources together, and find within itself all that is necessary to enable it to fight its neighbours, and to attain this desirable condition he did not scruple to say Germany will have to annex Holland and Denmark. His successors said that Germany must have a colonial empire to provide an outlet for her surplus population, and food for her people at home.

The higher moral standard of Richard Cobden's theory and policy all Protectionists, as well as Free Traders, must allow, but it is their custom to cast ridicule upon the great Free Trade politician as a visionary and a convicted false prophet, and to speak

of the great exponent of the national economic system as "scientific."

Doubtless, the ethical standard of international relations—the standard of war and diplomacy, is as yet of a primitive and barbarous character ; but still it slowly improves. Civilised peoples have long left behind them the stages of wars of pure rapine, wars for cows, and wives, and slaves ; wars of extermination for conquest of land. A dynastic or a religious war between civilised peoples is inconceivable in these days. The sources of international strife are now, at bottom, almost invariably economic. Is it the dream of a fanatic to believe that when nations once realise the complete futility of their nationalistic economic aims, this last cause of war may also disappear ?

"But what about the meanwhile," the average worldly man may ask, "we are living in a world which still believes in wars, and if occasion arises will rush into one ? Admitting the possibility of universal collapse of the material organisation of civilisation under the strain, will it not then be worse for us than for others ? Has our path of peace been the path of relative safety ? Have we not more extensive international relations than others, and are we not, therefore, more dependent on the foreigner than they ?" Here again we can prove that the higher path has been not only the most profitable, but the most secure. The Report of the recent Royal Commission on Food Supply in Time of War proves by the unanimous testimony of the most experienced naval and commercial experts that, with our great Free Trade industries, with our merchants, and our ships, drawing our food and raw material from all parts of the earth, added to our naval power, our supplies

are rendered more, and not less, secure by the very extent and variety of our operations, and are placed beyond the possibility of serious interruption by any enemy.

And thus Free Trade stands justified. In the sphere of ethics it is the path of humanity, honest, and commercial purity, but no less in the sphere of politics is it the path of safety and in the sphere of economics is it the path of profit.

Protectionist nations have chosen the spirit and the methods of war to govern their commercial policy. We have chosen the higher path, and we have proved the old word true, that "Whosoever will save his life shall lose it, but whosoever shall lose his life, the same shall save it."

IMPORTS AND EMPLOYMENT

Two points of economic interest have emerged during the Tariff Reform controversy. First, the actual incidence of an import duty ; and, second, the effect of foreign imports on home employment. This note is concerned with the second. Outside the scope of these two questions, which lie at the root of the argument so far as it has been pursued in a scientific spirit, the controversy has been quite legitimately conducted on practical, inductive, statistical lines, and these have almost exclusively engaged the attention of politicians on both sides. They have bandied isolated and often unrelated statistics to prove either the progress and prosperity, or the decline of this country, or the greater progress or the greater poverty of, say, Germany. Though useful and necessary, the latter class of arguments are essentially inconclusive, for they cannot take into account all the circumstances other than tariffs which may have contributed to the results achieved, and too often they have been like sword strokes in the air which have failed to meet the blows of the adversary. At the base lie the two economic questions I have mentioned, and when these are answered and understood, the statistics showing the evolution of international trade and the variation of prices will be seen to fit the scientific theory.

The first question—the actual incidence of an import duty—has attracted the attention of our most skilled economists, and Free Traders may be well contented with the conclusions arrived at of the infinitesimal amount of any possible contribution by the foreigner towards any taxes on food imported into this country. To the man in the street the daily market prices are sufficient proof that under Protection his “food will cost him more.”

But the second question, of the effect of foreign imports, especially of manufactured goods, on employment, is one more difficult to explain to the average citizen voter. As his natural first impression in the one case is that an import tax *will* add just so much to the cost, and he wants some reasons for changing his first opinion, so his natural first impression in the other case is that if we import a foreign article which we can make ourselves it must deprive the men who could have made it of their employment, and he will want good reasons for changing this impression.

In the former case the burden of proof is thrown on the Protectionist; in the latter it is thrown on the Free Trader.

I will attempt to put the Free Trade case as simply as it is capable of being presented, and to show that foreign imports do not reduce home employment and cannot do so.

THE GENERAL PRINCIPLE OF FOREIGN TRADE

(1) *As stated by Free Traders.*

One general principle, one economic dogma may be assumed. It has become the common property of the

economist, the street-corner orator, and the leaflet-monger on both sides. This is that foreign commerce is exchange, that imports must be paid for by exports, and that exports must be paid for by imports or not at all. Free Traders from the beginning have asserted that this dogma is the conclusion of the whole matter, and the destruction of the whole case of the Protectionists, namely, that foreign imports diminish employment.

(2) *As stated by Protectionists in reply.*

Those Protectionists who attempt any scientific justification for their creed deny that this is the conclusion of the whole matter; they admit freely that this truth is axiomatic, but they carry the analysis of it a stage further. Here, it is they who are at the disadvantage of having to present their reply in a form which is not easy of apprehension by the careless man in the street; but they have succeeded in making their case fairly familiar to their propagandists, and circulating it in their leaflets. It is undeniable, they admit, that exports and imports of merchandise, of specie, and of services, when properly calculated, must balance, and that, if they do not, the difference represents an international removal of capital; they will admit that every import creates a demand which must be satisfied by an export, but that, they say, does not dispose of the case that the importation of foreign articles we are able to make for ourselves does in fact reduce employment at home. A British railway company, for example, may purchase a locomotive in Belgium for £2700 rather than give £3000 to a Glasgow firm, and this may be paid for by the exportation of 10,000 pairs of Northampton boots of the value of £2700 to a Brussels "emporium."

It is true that the purchase of the foreign locomotive has indirectly given employment to a set of Northampton bootmakers in the place of that of which it has deprived the Glasgow engineering firm, but it is none the less true that it has deprived this country of the whole sum of the employment it has given to the Belgian firm, for, had the order been sent to Glasgow, the men thereby employed would have purchased the boots or other equivalent British goods. They admit that both our foreign exports and imports would be diminished, but the exchange would nevertheless have occurred, with this difference, that both transactions would have taken place in this country.

The Protectionist's statement of the case has been thus summarised by one of our ablest economic controversialists: "In the one case the Belgian engine exchanges against the boots; in the other case the Glasgow engine exchanges against the boots (or their equivalent in other goods). If the engine is bought in Belgium the boots made at Northampton will go to Belgium, and no boots will go to Glasgow; but if the engine is made at Glasgow the boots made at Northampton will go to Glasgow and no boots will go to Belgium."

Two British capitals and two sets of men would have been employed instead of one. Two profits and two employments would have remained in this country instead of only one. So that, although the railway company saved £300 by sending their order to a foreign country, this country lost in rent, profit, and labour, not £300, but £2700. Thus, say the Protectionists, we see that, in matters of trade, private individual interest is often opposed to the general interest, and the

State is justified in regulating international trade by tariffs designed to protect our home industries.¹

(3) *The Free Trader's rejoinder.*

Is there any reply to this case? The reply appears to be complete, but it requires a somewhat deeper analysis of the various reactions of the case I have put as an illustration, and it is as much more difficult to present in a popular form than the Protectionist's case I have just given, as this, in its turn, was more difficult to explain than the simple axiom of the Free Trader to which it was supposed to be a reply.

(a) THE ABSURDITY TO WHICH THE PROTECTIONIST ARGUMENT LEADS

First, consider the case from the point of view of Belgium. The owner of the Brussels "emporium" purchased £2700 worth of British boots for the same reasons which induced the British railway company to buy the Belgian engine—because he wanted them, because he had the money to pay for them, and because he could not get boots of equal quality in his own country for less than £3000. The Belgian Protectionist

¹ In a passage which has lately been much quoted from Adam Smith's charter on The Employment of Capitals, the Protectionists seem to themselves to have discovered a great authority for this view. In the two short paragraphs he devotes to the subject, he did not stop to analyse fully the instances he gave. He assumes two capitals and two effective demands, one in Scotland and one in London. If the merchants in both places had traded with Portugal instead of with each other, the effect on employment would have been the same. In this and the following passage, Adam Smith appears to lend his countenance to the idea that one capital may "replace" two equal capitals. It clearly can do nothing of the kind at the same time, and the context shows he meant successively and not simultaneously. It is these successive replacements of capitals by exchange this note is an attempt to examine.

might say as justly as our own that the transaction had deprived the Belgian bootmakers and the country as a whole of employment, for although the Belgian engineers would have missed their British order, yet the Belgian bootmakers who would have been employed in executing the Brussels order, instead of the Northampton bootmakers, would have exchanged these boots, if not for an engine, certainly for equivalent products of Belgian industry.

We see, therefore, that the Protectionist argument lands us in this absurdity, that each country has equally lost employment by the exchange of its commodities, although no one would maintain that there has been a loss to both countries taken together, or would have been if both Belgium and England had formed one country ; just as no one would maintain there would have been a loss of employment if the railway company had given their order to a Manchester firm at £2700 instead of to the Glasgow firm at £3000. The absurdity into which the Protectionist's argument has led him is patent. Where, then, is the fallacy ?

THE FALLACY

A double fallacy is involved in the Protectionist statement. *Fallacy No. 1* lies in applying the terms and the law which govern foreign trade to domestic trade, to which they do not apply.

The Protectionist has failed to appreciate the full meaning and the limits of the axiom to which both sides in this argument have assented—that, *in international trade*, imports must be paid for by exports ; how this principle differentiates foreign trade from home trade ;

and in what manner it applies to the one and not to the other.

The Government, the coinage, the national taxation, especially the banking system, constitute this country in its strict geographical sense an economic unit. We are surrounded by a narrow channel ; our exchanges with foreigners are not free, everything has to pass a toll bar, and pay or receive, as the case may be, the current rate of exchange. We know the effect of alterations in the rate of foreign exchanges on the movements of gold, and on the consequent movements of prices ; and we know that the total effect is to constitute this country, in its strict geographical sense, an economic unit to which our axiom of the equation of exports and imports applies.

But within the limits of this country there is no such law ; there is no such equilibrium ; there is no necessity for regulating the internal geographical movements of the precious metals, there is no financial apparatus for so regulating them. All trade, internal, as well as external, is doubtless exchange, and it may be said that every economic unit, whether it be the family or the firm, or even a collection of similar units, such as the agricultural community as opposed to the manufacturing community, must roughly preserve this equilibrium of exchange. Their exports of services and goods must balance their imports and consumption of goods and service, and so far as they fail to preserve this equilibrium there must be a transference of capital from one unit or group of units to another.

But within the geographical limits of this kingdom these exchanges and these transfers of capital are unregulated, unimpeded, and continuous. They are

not subject to the financial apparatus, or even to the economic influences which govern foreign trade. All business is free and fluid. The liquid capital of the country which is engaged in commerce is practically in one stock. No man can point out his own share of it at any moment. It perhaps consists of an entry in a bank-book or other paper instrument giving him a certain general command over the wealth of the country. There is no automatic adjustment of internal transactions. There is no economic law which decrees that if Northampton buy from Glasgow, then Glasgow shall buy from Northampton and from nowhere else.

It is precisely this *difference* between internal and foreign commerce which provides the whole argument commonly used for proving that in *foreign* commerce exports must balance imports, and that every import creates an export. Doubtless, as I have already said, all commerce, internal and external, is exchange. If London gives an order for a locomotive to Glasgow there is a fair exchange of a locomotive for a paper instrument, which is in effect a general title to a certain amount of the diffused wealth of the country. If London gives an order for a locomotive to Belgium, payment is made in a similar manner by a paper instrument. But there is this vital difference between the two cases. In the latter, unless that paper instrument is bought back by the export of some British product, it must be followed by the export of 2700 golden sovereigns. And this necessity creates the economic conditions which makes it profitable for a Belgian capital—that of the Brussels “emporium”—to sell this paper instrument back to us by giving an order for 10,000 pairs of boots *we should not otherwise have had*. It is this necessity

which is the entire basis of the theory of foreign trade that imports must be paid for by exports.

In the former case no such necessity arises. A transfer of the amount involved is made in the respective bank-books of the two firms parties to the transaction, which is adjusted at the clearing house, *and the transaction is ended.*

Thus we see that though every commercial transaction involves an exchange of two capitals, a transaction with a foreign country involves two such exchanges of two capitals, a domestic transaction only one. The difference between giving an order abroad and giving it at home is that the former entails, by the operation of economic law, an equivalent and complementary reciprocal transaction; and the latter does not entail, and, as a matter of fact, is not followed by any such complementary and reciprocal transaction.

Now apply this principle to the summary of the Protectionist's case I have previously quoted, and the fallacy in it will become apparent. The writer says: "In the one case the Belgian engine exchanges against the boots, in the other case the Glasgow engine exchanges against the boots (or their equivalent in other goods). If (1) the engine is bought in Belgium, the boots made in Northampton will go to Belgium, and no boots will go to Glasgow. If (2) the engine is made in Glasgow, the boots made at Northampton will go to Glasgow, and no boots will go to Belgium." In this statement, that part I have marked (1) is correct—if the engine is made in Belgium, certainly, by our hypothesis, boots will be made in Northampton which would not otherwise be made in England to exchange for it. The part I have marked (2) is correct so far as it says that if the engine is made in

Glasgow no boots will go to Belgium, but incorrect in interposing the statement that "the boots made in Northampton will go to Glasgow." I ask what boots? The boots for the Brussels "emporium" are now made in Belgium, and there are no other boots or any other goods of exchange concerned in the transaction. To secure an order from Glasgow for Northampton for boots the Protectionist has tacitly and unconsciously assumed the existence of an "emporium" in Glasgow as well as in Brussels demanding boots, and having a capital to pay for them. If such a buyer exist, Northampton will probably secure his order, and should the engine be ordered in Belgium, it will secure the Brussels order as well. Thus, though Glasgow would in the latter case have missed the order for the engine, Northampton would have got two orders for boots instead of one. This is the exact parallel of what does happen in the case of exchange with Belgium.

The correct statement of the transaction is this:— If (1) the engine is bought in Belgium, boots will be made in Northampton and will go to Belgium, and no boots will go to Glasgow; but if (2) the engine is made in Glasgow, no boots or other goods of exchange (as any co-relative of this transaction) will be made at Northampton or elsewhere in England, either for Glasgow or Belgium.

We see that every domestic exchange implies two capitals to be exchanged, and two active and effective demands each for the particular form of capital of the other. The railway company wanted an engine for its money; the Glasgow engineers wanted money for its engine. If the transaction takes place, the railway company gets the engine, and the Glasgow firm gets the money, and it is ended.

In a foreign transaction it is not thus ended. The railway company gets its engine, and the Belgian firm gets its money in the form of a Bill of Exchange on London. This Bill has to be bought back, and it is bought back in the case we have taken as an illustration by the making and exportation of 10,000 pairs of Northampton boots, which would not otherwise have been ordered. This transaction is not ended until the railway company have got the engine, and the Northampton firm has got the railway company's money.

In both cases it ends by the railway company getting its engine ; but in the first case the Bill of Exchange rests in the hands of the Glasgow firm ; in the second case it ultimately rests in the hands of the Northampton firm who may be said to have purchased it by the export of their boots.

It is our purchase of the foreign engine which brings into the field of operations so far as we are concerned the foreign purchaser of our boots. There is no way of making the boots for Brussels and the engine for ourselves too. The British capital may be expended on Britain, or it may be exchanged for the expenditure of the Belgian capital in Britain, but we cannot have the expenditure of both capitals in Britain.

Fallacy No. 2. The fallacy I have endeavoured to dissipate rests upon another which is at the root of the Protectionist's case, and is one which lends a superficial plausibility to his misinterpretation of the law and the conditions of foreign trade in applying them to domestic trade.

It lies in confusing two things which differ in kind, viz., the exchange of *two* simultaneously existing capitals in two countries, each for the product of an industry

in the other country, with two successive exchanges of *one* capital in one country. The Protectionist is right in saying the latter will give employment to two sets of labourers in one country, and the former to only one in each country. But he is wrong in making this comparison. Let me try to make this clear.

Every exchange of capital gives rise to a succession of exchanges, and a succession of employments—the bootmaker will employ the butcher—the butcher, with the money he has got from the bootmaker, will employ the baker, the baker the candlestick-maker, and he the bootmaker again, and so *ad infinitum*, so long as each by his industry maintains his production equal to his consumption, and keeps his capital intact. It is possible for the bootmaker to imagine he is the spring of all the industry of the community, that his demand has set everything going ; and in a sense, and to a small degree, he is. The railway company which possesses the capital, and orders the engine, will in the same manner set to work not merely directly the men who make the engine, but indirectly the men who do any work for the men who make the engine, and among them the bootmakers of Northampton, and they in their turn others. The Protectionist's error lies in confusing two such successive exchanges of one capital with a single exchange of two capitals.

He will, and does say, why should not Glasgow, *after* having received the draft for £3000 proceed to exchange *that same capital* for Northampton boots ? To ask this question is to fall into the error I am pointing out. He forgets that one capital cannot itself produce the capital for which it is itself exchanged. Two independent co-existing capitals are involved in every exchange. We

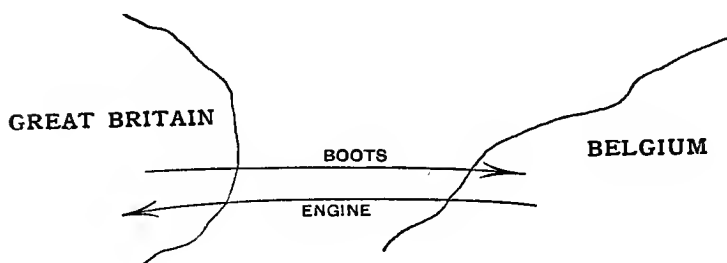
cannot trade with a tribe of naked savages who have nothing to give for our beads and knives however much they may desire them. He is, I repeat, confusing the exchange of two independent co-existing capitals with two successive exchanges of one capital. In this case we have the two co-existing capitals—that of the railway company demanding an engine, and that of the Brussels “emporium” demanding boots. At the point we have reached in the preceding section the transaction is completed, both demands have been satisfied, either by the double transaction which the admitted law governing international dealings demands, or by two single transactions, one in each country, which is all that ordinary internal commerce requires. In either case the railway company will have secured its engine, but in the one case the engineering firm at Glasgow will have in its possession a draft which, as the Protectionist says, it may expend upon boots; but in the other case the Northampton firm will equally have in its possession the draft which it may equally expend on an engine. Probably either party will put the money to pretty much the same use, and that will be the employment of British labour and the production of more British goods. The Protectionist is right in saying that, if the railway company expend their capital in Glasgow, this expenditure will result in further expenditure, some of it probably in Northampton. He is wrong in failing to see that, if the two capitals are exchanged, a precisely similar set of employments would follow from the expenditure of the Brussels capital in Northampton. In making a comparison of a succession of employments let us keep step. The real point to grasp and remember is that if the Glasgow firm has the money to use, the

Northampton firm will not have it, and *vice versa*. The governing principle is that one capital cannot do the work of two equal capitals. It can only give a certain amount of employment. The capitals of the British railway company and the Brussels "emporium" may be exchanged; the employments these two capitals can give may be exchanged. In neither case can either by any magic be doubled. In one, by an exchange of capital and employments profitable to both countries, industry follows its natural and most efficient channels; in the other, all that has been achieved is not a creation, but a subsidised diversion of employment from the more efficient to the less efficient industry, and a reduced net product for national distribution.

RECAPITULATION

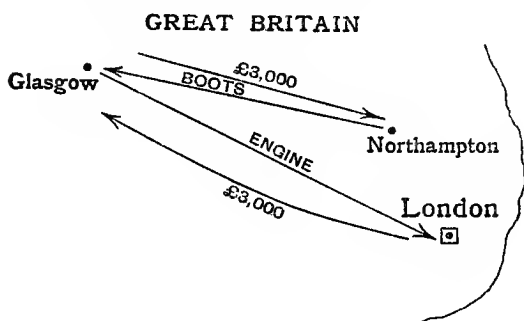
This argument, showing the two alternative exchanges and their first reactions, may be recapitulated in graphic form. The places, London and Brussels, possessing the two capitals, in which the demands originate are marked.

No. 1. The Free Trader's first simple statement.



One equal exchange of two capitals and two employments.

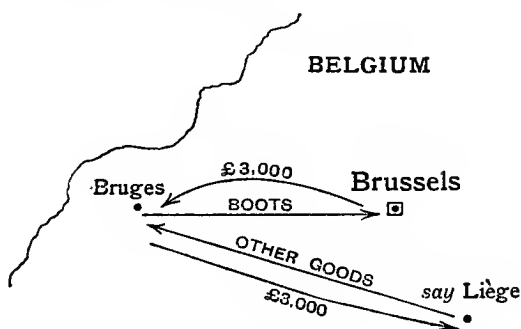
No. 2. Protectionist's Statement.



Two successive employments of one capital—first, London to purchase engine from Glasgow, and then, with the proceeds, Glasgow to buy boots from Northampton—both in this country.

The Protectionist forgets England has now missed the Brussels order, and in Belgium the situation would be thus :

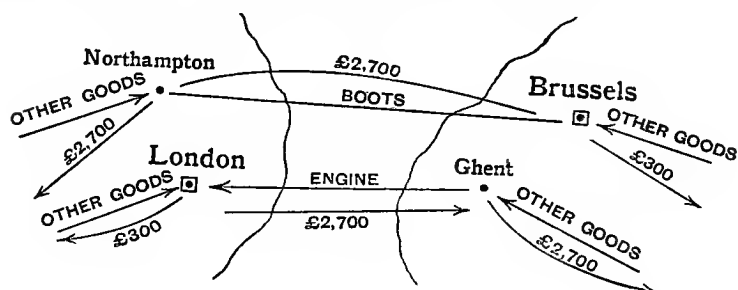
No. 3. With Protection.



Again two successive employments of one capital—first, to purchase boots from Bruges, and then, with the proceeds, Bruges to purchase other goods from, say, Liège.

No. 4. The Full Free Trade Statement.

The equivalent of 2 and 3 under Free Trade—that is, two successive employments of two capitals.



Showing that two successive employments have followed the expenditure of the Belgian capital in Northampton; just as it would have followed the expenditure of the British capital in Glasgow.

In these diagrams I have shown the original capitals brought into action as 3000 golden sovereigns in the hands of the railway directors in London, and the same amount in the hands of the proprietors of the Brussels "emporium." I have shown the movement of these sovereigns as necessary to complete the exchange of two capitals in each transaction. And this expresses exactly what does happen, for though the metallic money does not move, the legal title to its possession and use does move in the manner indicated by the transmission of cheques or bills of exchange. Thus, after a complete analysis, we see that the free trader's first position is valid, and that the accepted axiom that foreign commerce is exchange, is the conclusion of the whole matter, and the destruction of the whole case of the protectionists that foreign imports diminish employment.

A SIDE-ISSUE

When the Tariff Reformer has been driven to admit the theoretical validity of this equation of capitals and employments, he usually takes refuge in illegitimately importing another element into the discussion. He immediately makes the assumption that, failing the London order, the Glasgow works would cease working, and the men be out of employment. He argues that it is surely better for the nation that a railway company should spend and even waste £300 rather than that an engine-works and its men should abstain from the production of an engine worth, at any rate, £2700. He enforces this by putting the case of a railway company which owned its own engine-building works, and asks whether such a company would not keep its own works going, although the product might cost £300 more than it could import it for, rather than incur the much greater loss to both itself and its men of maintaining both works and men in idleness.

This is a simple example of begging the whole of the settled question over again. If the Glasgow men be thrown out of work, what about the Northampton men who are set to work? It may reasonably be argued that the engineers who decline to accept the obtainable price for their engine were at the moment in less need of work than the bootmakers who undercut the foreigner and secured the order.¹ As for the example of the railway company owning its own engine-works, if this

¹ The only occasion on which, as Chairman of the Engineering Committee of the Board of a British Railway, I was tempted to place an order for locomotive engines abroad was in 1899, a time of such activity in trade that no good British maker would promise to begin to give delivery in less than a year and nine months.

example be extended so far as to assume that the company also owned the boot factory, there can be no doubt it would do well to acquire its engine in the cheapest market by employing its bootmakers rather than its mechanics.

Some plausibility, though no validity, is given to this argument by the likelihood that engineers would know they were thrown out of employment because their employers had missed an order which had gone to Belgium; while the bootmakers would probably not know or care to know that but for the Brussels order they would have been thrown out of employment, and still less would they know or care to know that they might have thrown out the Belgian bootmakers.

THE NATIONAL PROFIT

In the foregoing argument I have endeavoured to prove that there is no loss of employment at home by our purchases abroad. I have not alluded to the profit of it. I have treated employment as an essential good to be desired for its own sake, and, if any equal quantity of it can be secured, I have treated the benefit of it as equal. But employment is not an essential good; it is a necessary evil. When a man says he wants work he really does not want anything of the kind. What he wants is wages, and he quite rightly wants the largest amount of wages for the smallest amount of work. The same is true of the nation in its foreign trade. Exports are its work, that portion of our imports which pays for them is our wages, and we want to get the largest quantity and best quality of these wages which comes to us in the form of things we can eat or drink

or wear, or use for our own production, in exchange for the smallest quantity of our exported work.

In the illustration we have been discussing, the engine, which at the moment it would have cost £3000 to produce by Glasgow labour, was obtained all the same at the cost of £2700 of Northampton labour, and the £300 which the railway company thus saved would be spent on the line or paid away in dividends, in either case providing employment up to the full £3000, and the railway company and the nation would have £300 worth of something in addition to the engine to show for it. The same is true of Belgium, which obtains for her £2700 engine the boots which it would have cost her £3000 to make, and retains £300 for other expenditure on other employments. Both countries are £300 richer by the exchange. In each country the most efficient industry has received the due reward of its efficiency, and the less efficient industry has received a salutary stimulus in the form of successful foreign competition—a stimulus which to many British industries in the last few years has proved the one thing they needed to start them in a new career of enterprise and success.

THE FALLACIES OF TARIFF REFORM ¹

WHEN Mr. Matson did me the honour to invite me to address you to-night, he gave me the subject of my discourse, and he further instructed me in the manner I should treat the subject, which was to be more or less on the lines of a little book on “*Insular Free Trade*” which I published early in this year, and which I am glad has found some readers north of the Tweed.

I could not but obey, and if you find you have let yourself in for a dry and tedious hour (for my instructions included a time limit, and that a minimum), you must blame Mr. Matson. I take courage when I remember I am in the land of long sermons, and long sermons have been known, even in Scotland, to be at times dry.

I submitted to Mr. Matson with a mental reservation, and I follow the lines of *Insular Free Trade* with a fundamental difference. In that book I undertook a defence of our Insular system of Free Imports. To-night I propose to be the attacking party, as you will have gathered from the title of this address—the “*Fallacies of Tariff Reformers.*”

As a moderate exercise of the reasoning faculties of the most moderately endowed and moderately informed person, both tasks—that of defending the free trade position, and that of a flank attack on the enemy’s

¹ An address to the Young Scots Society.

position, are comparatively easy. It is a reflection upon the intelligence of us Englishmen that both should be necessary. Our chief difficulty is to get down to the intellectual level of those who received the speeches of Mr. Chamberlain as a gospel of salvation, and now accept those of Mr. Bonar Law as the last word of patriotic statesmanship and economic science on the great subject of our International and Inter-Imperial Trades. I must ask you to make the attempt to-night not to surmount a difficulty, but to descend and condescend to this difficulty. I do not ask you to concentrate and tax your brains to grapple with an abstruse problem. I ask you, for a time, to permit yourself to drop to the level of these simple souls, and try to enter sympathetically into the silly ideas which perplex some, and seem a revelation of light to others.

The consideration of the Fallacies of Tariff Reformers must bring us first of all into contact with Mr. Chamberlain. It is an ungracious thing for us to criticise with severity a man who at present is unable to defend himself, so I will ask you to consider the Chamberlain crusade from the Spring of 1903 to the middle of 1906 as a matter of history, which is rapidly becoming ancient history. The very best course of instruction you Young Scots Free-Traders can recommend to a candid enquirer, if such remain among us, is to collect and read all Mr. Chamberlain's speeches of 1903-4 in the light of the commercial history of the last five years. Let him have Mr. Chamberlain's speeches before him, and the official records of both internal and international trade, our trade and that of other countries, at his elbow; and let him, in a pure spirit of impartial historical investigation compare prophecy with history, rhetoric

with reality. Let him consider the vision, I may call it the nightmare, of the dreamer who had lost all faith in his country and his countrymen, and to whom all foreign countries appeared as malicious and gigantic and growing forces, and all their growth was at our expense, and all their nourishment was our life's blood. Let him consider the pitiful call of this perverted patriot, for no one will question the sincere patriotism of Mr. Chamberlain, to the children of the Empire to save their sinking and dying mother.

And then let him turn his eyes from this region of dreams and nightmares. Let him turn from Mr. Chamberlain's prophetic deliverances to the dry documents at his elbow. In the spirit of a calm historic student, let him test the visions by the history, and he will admire Mr. Chamberlain more than ever—as an artist, as a tragic poet, as, I may say, an elegiac poet; but as a tipster he will look for a more commonplace person if he wishes to put his money on the right horse. The simple truth is Mr. Chamberlain's original case is not merely discredited, it is gone. The new Tariff Reformer seldom quotes him, the new Tariff Reformer's case consists now of a few articles of salvage from the wreck of the prodigious indictment of his country made by Mr. Chamberlain.

Apart from the political and sentimental considerations, Mr. Chamberlain's economic case rested on two broad assumptions. The first, that for Colonial Preference, rested from the beginning on this general proposition (see St. Andrews speech, Oct. 7th, 1903), that our exports to foreign countries were not only relatively, but absolutely declining, and that this decay was only masked and concealed from us by the great

increase in the demands of our colonies. The economic case for the purely protective portion of his programme was based upon a second general proposition, that our whole export trade, foreign and colonial alike, was stationary, and had ceased to grow. In Liverpool in 1903 he said in so many words, "My case is that the trade of this country, as measured by exports, has during the last twenty or thirty years been practically stationary."

With the history which the last five years have gradually unfolded before our eyes, it is not surprising to find the newest brand of Tariff Reformers have conveniently forgotten these twin foundations of their belief, and seldom or never quote the earlier speeches of Mr. Chamberlain.

Before imitating the example of his followers, and passing from Mr. Chamberlain I must give two words to these two celebrated and unfortunate propositions. First, the growth of our colonial trade and decay of our foreign trade. It is only fair to try to understand what Mr. Chamberlain was thinking about, and do him justice. For forty years and more our colonial and foreign trade had grown together and at exactly the same relative pace, neither had gained proportionately on the other. Then came the South African war, with the diversion of British energy and British production from useful things for consumption at home and export abroad, to things to be wasted in war. Naturally our foreign exports of manufactures did not increase during this period, and our exports to South Africa did increase, and the colonial exports seemed to grow at the expense of our foreign trade. I can only assume Mr. Chamberlain mistook this temporary disturbance for a new departure. But with peace, trade resumed its old course. The

foreign trade recovered and went ahead, the colonial trade relapsed to its former proportions, and what do we find to-day? We find that while our colonial trade fifty years ago was $32\frac{1}{4}$ per cent. of our whole trade, last year it was just 32 per cent. of our whole trade. I do not rejoice in this. I am disappointed. I think our growing colonies might have done better. But I do not complain of them; they have a right to their own fiscal and tariff system. But they have effectively knocked the bottom out of Mr. Chamberlain's economic case for Colonial Preference. Even Mr. Bonar Law is not now found so bold as to appeal to experience and figures to support it. He abandons history and takes to prophecy. It is no longer the trade in being, it is only potentialities of trade in a nebulous future he presents, not to our gaze as Mr. Chamberlain did, but to our imagination.

And now for a moment let us look at Mr. Chamberlain's other bold generalisation, that which he made the basis and foundation of the other branch of his fiscal revolution—the protection of native industries. “My case is,” Mr. Chamberlain boldly laid it down in Liverpool, “My case is that the trade of the country, as measured—and I think it ought to be mainly measured—by the exports of this country to foreign countries and to British possessions, has during the last twenty or thirty years been practically stationary.” This is the case he so artistically elaborated in those earlier years, in his pictures of our various ruined industries. Hard facts have again decided this case also. The answer of the facts during five years has been so dramatically crushing, not an echo of it lingers on the Tariff Reform platforms. A growth in the value of British exports

of more than 50 per cent. in five years, from £283,000,000 to £426,000,000 is a thing quite unexampled in our history. And that has been the answer of hard fact. Of course the real truth is our real trade was not stagnant during Mr. Chamberlain's twenty or thirty years. We must admit on our side that our real trade did not really expand so much as 50 per cent. in five years, and we must remember in these days of a relapse that our real trade has not gone back this year anything like the figures of the values show. The truth is the period Mr. Chamberlain chose was a period of appreciating gold, improving transport, falling prices, and our trade which was expanding year by year was being done for less money. We were all the time selling more and buying more, but getting less and less for what we sold, and paying less and less for what we bought. Then the tide turned, the index pointer veered round, gold slightly depreciated, transport cost stiffened, and the values of our still more advancing trade leaped forward, to the discomfiture of the prophets who didn't know. And so went what Mr. Chamberlain called "my case" for the other, the protective side of his policy, and now his followers and disciples carefully forget their "case," but still endeavour to secure the verdict.

Before passing from Mr. Chamberlain, I must acknowledge there was something splendid in the courage of the attack of the great founder and protagonist of Tariff Reform, in the manner he raised and commissioned these two giant spectres, which walked through the land and terrified the weak five years ago. And now I must pass on to the little brood of gibbering ghosts which came from the land of shadows at the invocation of Mr. Bonar Law.

We descend to an entirely different and a far lower level in meeting the present day Tariff Reformer. With the great artist has disappeared the atmosphere of tragedy and destiny. The shades of doom seem to have passed away, obliteration and extinction no longer threaten us. We have to deal with a gang of wealthy, selfish, and determined manufacturers and landowners "on the make," who have captured the Tory party, and I think I am not ignoring any personality who counts in politics if I say their prophet to-day is Mr. Bonar Law, and it will perhaps be convenient and fair if I take his arguments as the best which can be advanced by the present day Tariff Reformer.

From Mr. Bonar Law we do not get the wholesale attacks and sweeping condemnations of Mr. Chamberlain, we get a series of ingenious perversions of fact and misuse of figures, which do duty on all Protectionist platforms, and when I proceed to examine and reply to some of those which form the staple food of the new Tariff Reformer, I must ask you to notice how trivial they are in comparison with the tremendous "case" of Mr. Chamberlain.

In Mr. Bonar Law's recent book, only once does he remind me of the master. In one place he says, "Our exports of manufactures to the great protected countries have been absolutely stationary, and the total last year was not greater than fifteen years ago." Here we have an echo of Mr. Chamberlain's grand manner. Now what are the facts of our foreign trade for the last fifteen years? If you take our whole export trade in the manufactures and produce of the United Kingdom to foreign countries, it has almost doubled in value in fifteen years—it rose from £152,000,000 in 1892 to

£288,000,000 in 1907. If you take only our direct exports to the great protected countries, which seemed to be what Mr. Bonar Law wished to indicate, you take an absolutely misleading test. Our trade with these countries is largely a triangular trade. China, India, Australia and the Argentine ship largely to these protected countries. They take very little directly in return. The figures show that we continue to command these neutral markets, thanks to our ability under a free import system to produce a better value for the same money than other people. We ship our manufactures to a great extent to these protected countries' creditors, instead of to themselves, and they have to settle the international account with us, always to our double profit.

But let us take the figures of the direct trade, although they are unfair to us. I cannot say exactly what countries Mr. Bonar Law calls "the great protected countries," but I assume Mr. Chamberlain's celebrated group of ten protectionist countries will best fit the description. These countries include nearly all Europe and the United States. Well, to these countries we shipped of British manufactures and produce £92,000,000 in 1892, just fifteen years ago (*Fiscal Blue Book I. p. 20*), and £160,000,000 in 1907. If this is being stationary all I can say is I wish our colonial brothers would "buck up" and become equally stationary.

But this is the solitary example of the rise of Mr. Bonar Law to the wide statistical generalisations of Mr. Chamberlain. As a rule he and the other Tariff Reform advocates of to-day are much more modest. They support Mr. Chamberlain's "case" indeed, but with rhetorical and general arguments, some with a quasi-

economic, pseudo-scientific aspect, and they generally in these latter days confine their statistics to the by-ways and side issues of the controversy, to the comparative figures of unemployment, emigration, food prices, in which however they are no more accurate than their master was in the greater figures he handled so boldly.

I will now turn to two of the arguments of the theoretical, and pseudo-economic order which have survived and do duty to-day. They still bring forward the old argument of the large and small market, and the large and small scale of production. They repeat Mr. Chamberlain's argument that we have only our own home market free, the Germans and Americans, they say, have their own market and ours too, free and open to them, therefore these foreigners can produce on a larger scale and consequently at a lower cost than we can. This argument being an abstract one, and founded upon the law of "increasing returns," much impresses the abstract mind of Mr. Balfour. To him it proves itself. Mr. Bonar Law characteristically boldly assumes the abstract deduction is a fact, and says "the Germans can and do produce on a larger scale and therefore at a lower cost than we do." What is my reply to this protectionist argument? I will copy the defence of a man accused of murder. His defence was, 1st, the man's death was due to accident, and if it were not an accident the homicide was justifiable; 2nd, whatever it might have been he did not do it; 3rd, that the murdered man was not murdered at all, but is alive and well. In this case my reply would be somewhat similar. 1st, if it were true that as an accident of our policy some primary manufactures of protectionist countries

had outgrown our own in extent and cheapness of production, we should have abundant justification of our policy in the whole extent of our varied manufactures due to our free imports. 2nd, it is not true. The Germans and Americans neither can nor do produce "on a larger scale and lower cost than we do." We plead "not guilty" to any inferiority in that respect. And if there is any industry known to Mr. Bonar Law and unknown to me in which they do so, there is no reason in the extent of our market why we should not manufacture on the same scale. 3rd, the whole theory is wrong, and based on a distortion and misapprehension of the law of "increasing returns." The Young Scots know the law is that an increase of capital and labour in an industry generally leads to an increased return and cheapened product. Business men know the operation of this law is limited in every industry, and does not apply at all to many. The truth is, in every trade there is a certain point in expansion, of maximum efficiency. To go beyond that point is as uneconomical as to fall short of it. This best unit of production and organisation differs in every trade. In most trades it is easily reached. In the largest producing trades it is generally well understood and adopted in all centres of production in all advanced countries. For example, no colliery owner would sink a pit of a diameter of much more than twenty feet, he would not at present go down much more than 900 yards, he would strictly limit the acreage to be worked from that pit. In the same manner no cotton spinner, however enterprising, would build a mill of a million spindles; he would build half-a-dozen mills of 150,000 spindles each. In the same manner there is the best and most efficient unit for

an organisation or combination for administration and distribution as well as for production. It is possible to be too big for efficiency. It is well known the gigantic American Steel Trust owes its profits to monopoly and not to efficiency, either in the cost or quality of its product but to its monopoly. In like manner the very able Englishman who now controls the Shipping Combine, finds efficiency and economy alike best served by maintaining roughly the old units of the old constituent companies with their separate organisations and separate flags. The limit of the theory of Increasing Returns is not understood by Mr. Balfour and by those who use it in the fiscal controversy.

And finally, the whole application of this theory at all to British manufactures is ludicrous. I have said the scale of our production is not smaller than that of other countries, neither are our markets; on the contrary, the available markets for which we manufacture, and in which we continue to hold the leading position, are not smaller but larger than those of any other country.

Take our largest manufacture, that of cotton. At Manchester Mr. Bonar Law was bold enough to point to the fact that the United States now work up more pounds of cotton than we do as a proof of our decline in this industry. He said the United States use up 2,100 millions of pounds while we use up only 1,600 millions. He did not tell his audience that it is not the bales of cotton, but it is the spindles which count. It is the spindles which are the measure of employment. He did not tell his Manchester audience, possibly because they were better qualified to tell him, that while the United States have 28 millions of spindles, we have 53 millions. By her high tariff America is able to keep

her own market for low numbers of yarn and common manufactured stuffs, but notwithstanding her raw material at her own door she is utterly unable to compete with us for the great export trade, and her minute exports of cotton goods are actually declining in volume. She has the big free market, her own and ours too, therefore she can, and must, and does beat us in the big scale production, say Mr. Balfour and Mr. Bonar Law. As a matter of fact, while her export to our market which is free to her, sank from three to less than two and a half million yards last year, our exports to her market, out of which we are told we are locked and barred, increased in the same year from 78 to 98 million yards. Finally, Mr. Bonar Law did not say, in reference to the big market and the big production, probably because he did not know, that it is we with our contracted market who actually do produce on the big scale, and America with her greater free market, on the little scale. The average size of a cotton mill in England is 80,000 spindles, in Massachusetts it is about 42,000, and in the Southern States about 10,000. I am sorry to have detained you so long with this particular "fallacy," but when like Touchstone you can kill a foe in a hundred different ways, it is tempting to demonstrate the fact. Nevertheless though killed, the ghost of this fallacy will doubtless continue to haunt the shadows. Whenever you meet it do not hesitate to challenge it.

The second of the fallacious arguments which have a specious air of possessing a scientific justification, and which have survived from the Chamberlain period, is that of taxing the foreigner. That the consumer pays the duty is, says Mr. Bonar Law, "a statement no economist living or dead ever made." Well, let us

admit that there may be cases in which the reactions of an import duty on the taxed and untaxed sources of supply, and on the taxed and untaxed areas of consumption, might theoretically throw a variable portion of an import duty on the exporting foreigner. I have no doubt our chairman could imagine such cases. He could express them by elaborate mathematical formulæ ; he could illustrate them by beautiful little diagrams shewing assumed elasticities of supply and demand by hypothetical curves ; but he will agree with me that we could not make a foreigner pay any perceptible part of a British corn tax. The great illustration of the possibility of making a foreigner pay a part of a corn tax, given by the latest brand of Tariff Reformer, is that of France. In March last Mr. Bonar Law said, and he has just republished his words, " For the last five months, in spite of a duty of more than 12s. the price of wheat in France (this was admitted by the President of the Board of Trade on Wednesday), has been about the same, if anything lower, than the price in this country." Here Mr. Bonar Law makes two statements, one about the price of wheat in France, and one about the President of the Board of Trade, who was then Mr. Lloyd George. I will tell you what Mr. Lloyd George did say, and that will answer both Mr. Bonar Law's assertions in one sentence. Mr. Lloyd George said this :—*House of Commons, March 4, 1908.* " I have got the prices of wheat in France since 1885, and I cannot find a single year in which the price of wheat in France has not been from 6s. to 10s. above the price of wheat in this country . . . Let me give one figure. The price of bread in London is 5½d. the 4 lb. loaf ; it is 6½d. in Paris. That is a difference of 1d. on the 4 lb. loaf in spite of the good

harvest in France." Now there are years of good harvests, when France practically feeds herself, and needs no import at all for consumption. At such times the price comes down to a point nearly, but never quite as low as the English price. But at all times it may be found that a little Canadian wheat may be sold, notwithstanding a 12s. 2½d. duty in France, at the French price whatever that may be. How has this come about? In the House of Commons on that particular Wednesday this was pointed out as an example of some fool of a Canadian sending his corn to France, and paying the duty out of his own pocket, while he might have got almost if not quite, the same price for it without paying any duty in England and Holland. I need not say that Canada, with all its tariff delusions, does not produce that particular brand of fool. The truth is that Canadian wheat which was sold in France has never paid any duty at all. Every year, irrespective of French prices or French tariffs, a quantity of hard wheat goes into France for mixing purposes. The importer pays the duty and gets a certificate that he has done so. He then exports an equal quantity of French grown wheat, and gets the duty back as a drawback. Thus the Canadian wheat gets into France by exchange and not by paying duty.

But I expect some of my hearers are prepared to convict me out of my own mouth, or rather out of the mouth of Mr. Lloyd George. They may ask, "How is it that the average price of corn in the French market was only 10s. or even less, higher than the free price we pay as Mr. Lloyd George said it was?" "If the French put on a 12s. 2½d. duty why don't they pay the whole of it and not only 10s. of it?" The answer is, they do

pay every penny of it on every cargo which comes to a French port. You must remember the Board of Trade prices are average prices ranging over all France for a period of time. Carriage alone accounts for a difference of many shillings a quarter in price in different parts of France. When France needs any wheat at all for consumption the prices rise and rise until on *some* day at *some* point they reach the outside price, the free price—our price—plus 12s. 2½d. the amount of their own duty. Then, and not until then can they find any Canadian willing to sell them his corn. No philanthropic foreigner, and no patriotic Frenchman ever imports a quarter until that price is reached except by miscalculation. The first cargo of course does not raise the *average* all over France to that figure, but I find that when the French import as much as ten per cent of their wheat, the *average* price comes to our price and their duty put together, and generally a little more. Remember we import 80 per cent. of our wheat. If any of my hearers wishes to pursue the enquiry into the conditions and the extent to which the foreigner may pay a portion of an import tax, he will find it more fully dealt with in an earlier essay in this volume.

But passing from that order of Tariff Reform “fallacies,” which are proclaimed with a perfectly baseless air of having scientific sanction, which characterises some of the utterances of Mr. Balfour and Mr. Bonar Law, we come back again to the latest application of the old Chamberlain methods of the direct misrepresentation of the actual trade conditions of our country to-day.

Confounded by the striking falsification of Mr. Chamberlain’s prophecies given by the late boom in our

foreign trade, his followers have waited for the advent of bad times as the watcher waits for the dawn. "I have never doubted of ultimate success," says Mr. Bonar Law, "but the first condition of success is a period of bad trade." "Then," he says, "the victory will be won for us." Well, what the protectionists have hoped for and waited for has come. A period of bad trade is upon us, and unemployment has increased three-fold. Do their arguments bear the test of bad times any better than they bore the test of good times? They have fastened upon the phenomenon of unemployment and employment as the test. We do not object. That in this country we have better kinds of employment, better paid employment, better fed employment, shorter hours of employment is incontestable, but if we fall short in quantity and regularity of employment, we free-traders fail—our case from experience goes. In these matters it is all a question of comparison. In good times we have stood the test. How are we standing it to-day in bad times? Are we more hardly hit or less hardly hit than our protectionist neighbours? Now that the thing itself is upon us the more responsible Tariff Reformers are moderating their claims. Mr. Balfour has just told us "he did not pretend that the alternations of confidence and depression, feverish over-production and melancholy under-production could be cured by any system. No fiscal reform could improve the general conditions of trade." Professor Hewins, the hired economist of the party, has waxed warm on the subject. A short time ago he told us, "No responsible Tariff Reformer had ever said, or was ever going to say that Tariff Reform was going to provide work for all . . . no one has ever said such an absurd thing as that."

This assertion is very satisfactory but perfectly stupefying. We all know they have almost given up saying anything else. They flood the constituencies with posters and leaflets, they placard it on their vans, they repeat it daily in their newspapers, every one of their street-corner orators shouts it in the ears of all who will listen. I do not know whether most to admire the audacity of all these people who deafen us all with this "absurd" claim, or the assurance of Professor Hewins who coolly tells us we are all suffering from a hallucination—"no one ever said such an absurd thing as that."

But the Young Scots do not belong to this shouting order of politicians, they do not want "cries," they want arguments. Let us examine the statements of the minute minority of Tariff Reformers who take the trouble to reason and not to shout. They tell us that in the published statistics of unemployment this country shews up badly in comparison with Germany, and when we point out that there are no statistics of value, they re-inforce their argument by pointing to the statistics of emigration, and this last argument they have lately been playing as their strongest card.

First let us consider the direct statistical testimony of unemployment, and second, let us analyse the figures of emigration in relation to both Germany and America.

I must first remark Germany has for many years seriously attacked her problem of unemployment, while we have done little or nothing. She has the most elaborate system of insurances against old age, sickness and invalidity, and unemployment—compulsory, semi-compulsory, and voluntary. She has a net-work of labour exchanges spreading from one end of Germany to the other. If unemployment is not less in Germany

than with us it ought to be. If it is not less with all these influences at work it must be owing to some other and special advantage we possess, and that special advantage can only be our free import system.

What are the facts relating to unemployment in Germany? Tariff Reformers give us official figures shewing that the percentage of unemployment in Germany is only one half of what it is here. I can give official figures shewing it is twice as great. Both sets of figures are of equal authority; they appear in parallel columns in the German Official Year Book.

But both sets of figures are unfair. The Tariff Reformer's figures make an unfair comparison, because, although they give the unemployment on a particular day as ours do, of certain unions making returns, these unions are as a rule new institutions, and the old men are not in them. They do not count a man out of work until he has been out of employment a fortnight, our unions count after from two to six days. The German unions only keep a member on their books for unemployed relief for ten weeks, many of ours keep them on for a year, *e.g.* engineers. The German returns include neither the building trades nor the shipbuilding trade in which most of the unemployment occurs. In Germany they work short time rather than reduce numbers to a much greater extent than they do here.

On the other hand, the other set of figures I gave is also unfair. They give, not the unemployed on one day as ours do, but those who have been unemployed on any day during a period of three months. You Young Scots desire to get at truth not to make a good case, and all I can say is that so far as I can form an opinion from the available material, notwithstanding a far more

systematic and scientific treatment of unemployment in Germany than in this country, there is in fact a greater amount of unemployment, and a far greater amount of short employment there than here.

But to get at any real connection between unemployment and protection in Germany it is more convincing to investigate the subject historically. Going back to history we find the great relapse of Germany into protection took place in 1879. It was followed by an immense wave of unemployment. The very next year 400,000 workers were thrown idle. It appears indeed to have been the great increase in unemployment which followed immediately in the wake of protection which forced the Germans to institute the means I have mentioned for dealing with it. If any connection between protection and unemployment can be discovered from German experience it seems to be that protection, so far from having proved a cure for unemployment in that country, is proved to have been its principal cause.

Emigration

This is an argument of which the Tariff Reformers seem to be very proud, and of which they have made the greatest play during the last year. Emigration, they say, means bad times at home, and better times abroad, and that is why people emigrate. When they are well employed and happy at home they stay at home. The German has almost ceased to emigrate because he is well employed and content at home, the Briton is flying abroad in greater numbers than ever. That is the argument. The picture is painted by Mr. Bonar Law with his usual breadth of colouring. He says,

“ Now, I think everyone ought to admit that if employment is good and improving in any country, the tendency will be for emigration to diminish. If, on the contrary, employment is bad emigration will tend to increase. What are the facts? With us emigration is steadily increasing. Ten years ago the number of emigrants from the United Kingdom was about 60,000. In 1907 it had risen to 237,000. Now compare this condition of things with that in Germany. Before the fiscal system of Germany was altered, the amount of emigration was nearly as great as with us, but in 1906, from the whole German Empire, with a population of about 50 per cent. greater than ours, the total number of emigrants was 30,000 as against 237,000 from the United Kingdom.”

It would be difficult to find a passage in which there were crowded more errors, logical, historical, and statistical.

Take first the logical error. The whole argument is wrong that emigration is anything like a test of employment and prosperity. No one doubts the improvement in the condition of the Italian at home, but the emigration of Italians has increased ten-fold in the last twenty-five years, not because they are worse off, but because they are better off. Again, our emigration is largely Irish, and the Irish emigration which has this peculiarity, that it contains an excess of females, has nothing to do with our temporary economic condition. The cause of Irish emigration is unfortunately deeper. The centre of gravity of the Irish race is no longer on this side of the ocean, but in America. The Irish are not being driven out now whatever they may have been in the past. They are being drawn out to their kindred across

the sea. The gentleman who is in a position to know more of this matter than any other man, has told me that a large majority of the Irish emigrant tickets are paid for by direct remittance from America, and doubtless a large portion of the rest are paid for by money sent from America for the purpose. This stream of emigration unfortunately flows from a different and deeper spring than the temporary and casual condition of trade.

But if Mr. Bonar Law is right in his theory of attributing emigration to distress, and he may be right for Germany, then he is wrong, and most amusingly wrong in his history. He tells us, "before the fiscal system of Germany was altered the amount of emigration was nearly as great as with us." The truth is the exact opposite. Bismarck altered the fiscal system of Germany and established a protective tariff in 1879. Before that year German emigration was slight. It *immediately* jumped forward. The great emigration from Germany seems to have been the first and the immediate effect of Bismarck's protective tariff. In 1879 and for many years before that date German emigration had not exceeded 36,000, in 1880 the first year of protection, it suddenly increased more than three-fold, to 117,000, and the next year 1881, it reached almost double that figure, 220,000. This is what protection really did for emigration in Germany. Doubtless since that time the German emigration has declined, but I think what we have seen of the immediate and startling increase of emigration with the rise of a protective tariff justifies us in attributing its decline to other causes, such as old age pensions, and insurances for accident and sickness, and other measures of social amelioration, rather than to protection. But the most important error in Mr.

Bonar Law's statement is neither his logical nor his historical, but his statistical error. When he gives the figure of 30,000 as the total number of emigrants from Germany he gives a figure which is absurdly below the reality. In this case I do not blame Mr. Bonar Law, for he quoted Board of Trade figures, and he compared them with similar figures in the same book for this country. But nothing could be more misleading. The figures are those of emigration to places out of Europe only. That includes practically all British emigration, but only part of German emigration. German emigration is largely to European countries; they are swarming into Italy, particularly Southern Italy, and prosper there; in certain parts of Russia they abound; even in France they are numerous. We have heard of German artisans, and German clerks, and German waiters in this country, but not one of them is included in these returns. But this is not all. It is only a small part of the error. I could see the figure given did not and could not include all the Germans leaving Europe, and I set to work to test it. I found the American figures showed that America alone received far more German immigrants than their figures to all countries showed. For example in 1904 only 26,000 Germans left Europe according to the tables Mr. Bonar Law quotes, but in that same year America alone received 46,380 Germans, and these American statistics of immigration are most carefully kept. I know the Germans are a prolific race, but it is difficult to believe that a portion, not the whole, but only that portion of Mr. Bonar Law's 26,000 emigrants which went to America could have increased to 46,000 during a week's passage across the Atlantic. Of course the

explanation is simple ; the figures are those of persons who shipped from Germany to places outside Europe, and do not include those Germans who sailed from Belgium or Holland or England ; they do not include the South Germans who sailed by the Cunard Line from Trieste, and from other Mediterranean ports. In short, the figures have no known relation to the subject, and no bearing on the argument. The short way to deal with a Tariff Reformer who argues his case from the phenomenon of German emigration is to ask him whether he knows of any British working man who emigrated to work in Germany. The answer must be, No. On the other hand, does a German working man ever emigrate to England to work in England ? Answer must be, Yes, whenever he gets a chance.

Before leaving this subject of emigration I will give you some other figures of my own. They have not yet been officially published but they will be in due time. I have them from the only authentic and proper source of such information. They shew that since the bad trade began with the American financial panic and crisis fourteen months ago, the greatest movement of emigration in the world has been back from America to Europe. In the last five months of last year no less than 332,000 third class passengers were brought to Europe from America by the British, Continental and Mediterranean lines. During the first nine months of this year these lines have brought to Europe 537,000 third class passengers. This vast multitude, I think I am safe in saying, the largest emigration movement from any country in so short a period, were men and women flying at the first touch of bad times from unemployment and starvation in protected America.

Having dealt with some of the latest developments of the Tariff Reform controversy in I fear tedious detail, I must ask you in conclusion to rise to a higher level and look at the case in its broader features—to consider it as a whole. And when we do this we must see that the Tariff Reformer is taking a small and short view. While appealing to the lower side of sordid human nature, in the individual or the individual trade, or the locality, he offers a bribe, he is fighting against the greater forces which are moving civilised mankind to-day.

The aim of the Nationalistic Protection is national isolation—to reduce foreign trade to a minimum, to make every nation as far as possible a complete and independent industrial organism as it is an independent political unit ; to buy nothing from the foreigner which can be produced reasonably or unreasonably at home ; to be self-contained in peace so that it may be self-sufficing in war. This is the ideal of Friederich List, consciously pursued by foreign protective nations and our own colonies. It is the ideal preached by our Imperialistic protectionists. It is the protectionists' millennium which the tariffs of the world are doing their best to bring in. How far are they succeeding ? Look around, and you will see that forces far stronger than tariffs are bringing the nations of the world together and far faster than tariffs can separate them. The forces of our modern civilisation forbid and prevent this desired isolation. The quickening of communication, the cheapness of transit, the marvellous growth of the habit of travel in all classes of all civilised communities are breaking down the barriers of distance and language which for so long have separated modern

nations. And as mutual knowledge and sympathy grow, mutual economic dependence also grows, and we find, in spite of tariffs, the international trade of the world is growing at a pace never before seen or imagined. And it is conspicuously during the late Renaissance of Protection that this advance has happened. Look around, look behind, look before, with a broad vision, and you will see that protection is fighting vainly against the greater forces that are guiding and controlling human progress.

Our subject to-night has been the Fallacies of Tariff Reform. The greatest of all these fallacies is the hallucination that their's is a winning cause.

INVESTMENT ABROAD

It is being stated that there exists a certain psychological, or rather neurotic, condition of the capitalist—"a feeling of insecurity." Not any real insecurity, it is only a question of nerves—"a feeling of insecurity." It is due to three causes; chief among these three is of course His Majesty's Government. This psychological cause is said to have had a certain economic consequence.

I deny the existence of this psychical, or rather, neurotic, condition in the capitalist; therefore I deny its alleged causes; and I deny its alleged economic consequence. I deny that capital either is or "feels" insecure in this country at this time. Therefore I deny that this non-existent feeling can have had any causes at all, from an unreal crime of His Majesty's Government. Before proceeding to make out this case I must ask one preliminary question. I should like to ask, and even to demand to be made clear, what is the position of Tariff Reformers on this question of foreign investments? What is his position on the question of fact? Does he now at length admit that our foreign investments are not decreasing? Up to now the whole burden of the complaint of the Fair Traders and Tariff Reformers, from the days of the Fair Trade movement in the eighties of Mr. Eckroyd and his

friends, down to twelve months ago, was that we were paying for our excessive imports out of our capital, we were parting with our foreign securities, we were reducing our foreign investments, we were ceasing to be a creditor nation, and we were on the spendthrift road to ruin. The situation was not as they described it, but exactly the reverse. Every year gave proof of increasing and not decreasing foreign investments. The evidence was too crushing to be resisted. And now what is the position they take up? I never knew a Tariff Reformer daunted either by evidence or the want of it. The conclusion that England is being ruined is too dear to his heart to be abandoned by the collapse of any evidence. "If our foreign investments are not decreasing," as he formerly said, "then they must be increasing." But decreasing or increasing England shall not escape ruin by a quibble of that kind. If they are increasing, that also is the road to ruin. It requires mental agility and courage to perform a somersault like this, but the Right Hon. gentleman, Mr. Austen Chamberlain, can go one much better even than this. He can hold these two contradictory propositions at one time, and express them in one speech. In this House not a fortnight ago he said, "British investors having money to invest, instruct their representatives that they are not to put it into British investments, but are to seek foreign securities, because they are more secure than British securities in the hands of the Prime Minister and his colleagues. The Government has done everything it could to frighten capital out of the country." In the same speech he maintained this completely contradictory proposition. "We have ceased to finance the

Continent, which is financed by Germany and France at the present time." "This is a great change." If these words have any meaning they mean, "This is a great change for the worse." It appears to me that any change, whether of an increase of foreign investments or a decrease of foreign investments, or any other change whatever is a change for the worse, except perhaps a change of ministries.

Now we have a right to know on which side Hon. Members opposite elect to stand. A country cannot be both reducing its foreign investments and living on its capital, and scattering its capital on foreign investments to the neglect of home securities at the same time. That is a question of fact, and the fact is as admitted in the debate to-night, that we are not withdrawing our foreign investments but increasing them.

We have got to this basis of agreed fact, that a considerable portion of the annual savings of the nation is exported in various forms for investment abroad. Is it too much to ask Tariff Reformers finally to abandon the contradictory proposition, that we are parting with our foreign investments, importing the produce of the sales, and living on it?

I may now leave the preliminary question, and get to the principal basis of attack—the feeling in financial circles of the insecurity of capital in this country compared with foreign countries. I deny the existence of such a feeling. The feeling of security is, as I have remarked, a psychological phenomenon, but it is mechanically measured and registered from hour to hour by an infallible indicator in the share lists. This indicator points to this country as the place where

capital is most secure "every time." True, Consols are low—a seller must accept a price which will yield 3 per cent. to the buyer. But in what other country is such a buyer to be found? A seller of German Imperial three per cents. cannot get within 20 per cent. of the equivalent price; the buyer must have £3 12s. 0d. per cent. for his money before he will risk it on such a security. There are a hundred British Municipal loans, a large number of railway debentures, and even preference stocks, and many British industrial securities which are in a better position. Sir, I have the honour to represent an ancient and beautiful city, but it holds a modest place among the great municipalities of the country. Yet the little city of Gloucester enjoys better credit in the market than the Empire of Germany or the Kingdom of Prussia. The House will remember that prices in the market from hour to hour are not a measure of real security, but a measure of this precise thing—the "feeling of security" or "insecurity" at the moment. It enables us to say there is no feeling of insecurity, but on the contrary, that there exists no place where capital is felt to be so secure as in this country. Were I to adopt Tariff Reform logic, it would impel me to add, this must be due to His Majesty's Government.

But when we have cleared away bad psychology and the party spirit, and disposed of the "feeling of insecurity due to His Majesty's Ministers," there remains resting in the air, so to speak, an economic implication to which I assent. I am prepared to admit that the competition of foreign producers—I exclude the word "unfair" as another bad psychological excrescence—but that the competition of foreign producers' protective

tariffs, have caused some capital to be employed abroad which might have been used at home to the advantage of some wage earners. I am prepared further to admit that it is a better thing for this country, that, other things being equal, a sum of capital should be sunk in a British cotton mill or coal mine, than exported for investment abroad, even if the process of investment does take the form, as it does, of an export of British manufactures which employ British labour. It is better that this same amount of capital should be used to demand and cause to be produced the same amount of the same or other things, which would equally employ British labour to produce them, and that these things should be embodied in a British cotton mill or coal mine. It is better because the British cotton mill or coal mine would continue to employ British labour, and yield a dividend to the capitalist, while the foreign investment would only yield a dividend to the British capitalist, and nothing directly to British labour. But my position is that hostile foreign tariffs, while reducing both the production of capital and the productiveness of labour in this country as well as in the foreign countries concerned, have thrown into our hands as much and as good employment as they have taken away; that so far as volume and quality of employment is concerned, we and the foreigners have both suffered, and we have not suffered most. Foreign tariffs are intended to regulate and alter the distribution of capital and labour in the country in which they are imposed. And they do succeed in altering this distribution. They do this in the way these nations deliberately intend to alter them. But they also alter the distribution of capital and labour in this country, and they do this in a way we

did not intend and do not desire. Doubtless this is very irritating, and to individuals and individual trades is sometimes disastrous for a time. The leader of the Opposition said last week, "Foreign nations do not deny that their tariffs are directed to modify in their own favour the natural course of industry as Adam Smith or Cobden conceived it. . . ." "It is the higher grades of manufacture which the foreigners are endeavouring by their fiscal arrangements to capture." "It is the higher grades of employment which it is fatal to us to allow to leave these shores if we can keep them here." But before we imitate protectionist nations, it is well to enquire how far they have succeeded in this endeavour. We know that in Germany and America it is the great syndicates commanding raw and half manufactured material which rule—the Westphalian Syndicates, and the Steel Trusts—and naturally, for they are strong and large trades. The manufacturer of finished goods is specialised and isolated and helpless. In Germany he is often crushed out; he must either get himself absorbed in a "mixed" syndicate, or go under, unless he can remove to Holland or England as he sometimes does. In America the Steel Trust spreads, but ship-building dies. Before we imitate protectionist nations let us consider the more remote consequences and reactions of such a policy, solely from the view of production and wages. Never mind the consumer at this point. The chief governing consequence has been to make the advanced protectionist countries—America and Germany—dearer countries for production as well as living than they would otherwise have been, or than this country is. The effect of a tariff is to raise the price of taxed commodities in the protected country

in terms of the untaxed commodities, and the principal untaxed commodities are gold and labour. The effect of the free admission of the former is to raise all prices, including the nominal price of labour, but not to raise the price of labour so much as the cost of living. The total effect is that at this moment we can produce a better product for a given expenditure of capital and labour, even at our higher rate of wages and shorter hours, than can be made by any other country. I can illustrate this by a case in my own business. A few years ago I imported an American machine at a cost of several thousand pounds. I bought it because I wanted it and could only get it in America. Having one machine I found I required several more, but I also found they could be made better and stronger and cheaper in this country. What did I do? I did not proceed to import more American machines. I imported the American inventor and patentee, and got him to build the machines in this country. It is thus a tariff raises prices and defeats its end. It is not the intention of foreign tariff-mongers to give employment to capital and labour in this country, but while they take with one hand they give as much with the other.

The continental nations never intended to secure for us our supremacy in neutral markets, but they have done it. Their immense imports from the East, from Australia and South America are paid for by exports, but not *their* exports—they are paid for by ours, and they have to settle up with us. That is why we send six times as much goods to China as we get back directly from China, while the Continent of Europe has a balance the other way. This is why we export to India twice as much as India exports to us, while Germany gets four

times as much from India as she is able to send to that country. And it is so all round the neutral markets. It was never the intention of the protectionist nations to throw into our hands the ocean carrying trade of the world, but they have done it and our shipping trade is not only our largest export, but from the point of view of the amount of high class labour of various kinds to which it gives employment, it is our biggest and best trade. It was not the intention of protectionist nations to make this country the best field for the establishment of new industries which the evolution of industry is constantly creating, but they have largely contributed by their tariffs to do so. This explains how it is that we are so rapidly gaining the lead in a foreign industry such as the manufacture of motor cars, although we admit German and French cars duty free ; and how it is that, if by superior enterprise or technical skill they take from us a lead in certain chemical or electrical manufactures we are able to recover our lead.

While foreign tariffs make it necessary for us to invest our capital to a certain extent within protected areas, they also make it profitable for the foreigner to invest his capital in our free area, and we see both processes in active operation. Upon the whole it appears to me that the diversion of capital and labour from one industry to another, effected by the foreign tariffs of countries in an advanced condition of economic development, such as Germany and America, have of late reacted less to our disadvantage than to their own, both in the employment of capital and labour. Mr. Balfour said last week that it is impossible to hold the opinion I have just expressed. He said, " You cannot hold the opinion that this country is using all the capital it can,

and that what we are exporting is merely the surplus, if you at the same time hold it to be a matter of enormous congratulation that foreign money should come into this country." The foreign capitalist who is coming in is neither displacing British capitalists nor supplying any deficiency in British capital. He is not buying us up. He is bringing a highly specialised capital and skill. He is coming as the Huguenots came, flying, not from religious, but from fiscal persecution. For, Sir, Protection is the most gigantic system of unfair trading the world has ever seen.

Let us now eliminate the factor of protective tariffs, and consider the naked question of whether it is well to invest British capital abroad at all instead of at home. Two phenomena in this connexion are conspicuous. First, that the times in which we are most extensively investing abroad have been times of exceptional activity and good employment at home. Second, that times of depression and unemployment at home are also times when there is an abundance of cheap and unemployed capital looking for home investment. This second fact, which is quite undeniable, completely disposes of another statement made by the Right Hon. Gentleman last week. He said, "And the very conditions of the labour market show that some of the capital ought to have found employment within these shores."

In no times, either good times or bad, is there a deficiency of capital offering better terms for home employment than it will accept for foreign employment. There has been no reluctance to cover the face of Lancashire with new cotton mills during the last four years, or to choke the ports of the world with unnecessary British ships. But it is obvious that in the limited

area of these islands there must be a limit to the possible profitable employment of capital in any particular stage of our development, and we must be doing badly indeed if we cannot pass this limit. Our foreign investments are simply the overflow. In the United States the railway mileage is more than 200,000 miles—ten times the mileage of this country. Would the Hon. Member suggest that we should expend our capital at home in building 200,000 miles of railway? We have built a vast and profitable system of railways in the Argentine. Would anyone have preferred to duplicate the Great Western system? In the one case we get a good return for our money, in the other we should simply have destroyed a good property and wasted 150 millions to do it.

It is said our investments abroad create competitors and rivals to our industries at home. Do the Argentine Railways compete with the Great Western? Do they not in fact, feed the Great Western, and all the rest of us? It is so in fact with practically the whole of our foreign investments. It is estimated that we have 3,000 millions invested abroad, perhaps some 20 per cent. of the National capital is thus invested. It is true we have ceased to finance the Continent of Europe, if we ever did so; probably not more than 50 millions are invested in countries such as Germany, France, and Belgium, which may be considered our manufacturing rivals. In contrast we have 200 millions in Argentine, and perhaps 500 millions in India. This money is all employed, not to compete with, but to feed our commerce and our population too—to provide us with raw material, and to open up our markets. Probably another 1,000 millions is sunk in the self-governing

colonies, of which the same may be said ; and the rest is in Russia, Egypt, Mexico, Brazil, and the other parts of South America. It is to the industrial development which the flow of British capital has produced we owe the greater part of our foreign trade. It is to the 100 millions of imports which pay the interest on this vast sum we owe the abundant and cheap supplies of our food, and raw material. And this reacts upon, and stimulates our producing power, for competitive production and commerce. It eases the lives of our labouring population, and so far from lessening it vastly increases the sum of home employment.

But almost every economic movement has a moral side. And the moral effect of this movement of British capital is not its least or least beneficent influence. International commerce means international interdependence, and the binding together of nations in the bonds of common interest. It is often said to be the greatest force making for peace and goodwill among the nations.

But, Foreign Investment—the ownership in common of all kinds of property—is an even closer bond ; for commerce is scattered, and possesses a diffused and faint self-consciousness, but the foreign investors are organised and awake, and in times of political difficulty exercise an influence in favour of self-restraint and peace, the weight of which often counterbalances in the council chamber that of the yellow press in the street.

On every ground, economic, social, and political, in the interest of all classes, not merely bond-holders, but of the whole community, we shall do well to value and cultivate and extend our national estate abroad.

FAITH IN FREE TRADE

I CONFESS to be a “hardened and convicted” free trader. We have all been supposed to be engaged in an economic enquiry—some of us have really been employed simply in finding out and giving out plausible reasons for the faith that happened to be in us, and some in endeavouring to find out the truth.

I confess that, although I have been all my life a student of the theory, as well as an active participator in commerce, this enquiry has not left me at the economic standpoint at which I started. I started as a free trader. I finish as one who is not only a free trader, but something more—I am a convert to a theory which Mr. Balfour described as “so perverse that it is impossible that any human being can hold it.” The theory is this, that, we, a Free Trade nation, surrounded by Protectionist nations, have so adapted ourselves to our protectionist environment, that we actually thrive in it. This I believe to be our case. I believe American and German protection to be bad for the world at large; I believe them, in their present advanced industrial conditions, at any rate, to be bad for America and Germany in particular, but I am by no means sure they are bad for this country in particular. Of one thing I am certain, that should the adoption of

protection in this country coincide in time, with any considerable relaxation of the severity of continental and American tariffs, the result would be the dethronement of this country from her present proud position as the first of the trading nations of the world.

It is pointed out to us how foreign nations, protected by their tariff walls, have started and nursed their infant industries, and how we have had to watch these feeble infants grow to giant proportions; how they have imported our industries bodily, ready made and perfected into their own borders; for example, how a firm like the Coats of Paisley had to leap the American tariff wall by transferring some of their capital, their machinery, even their men to American soil; and there to spin, not American, but Egyptian cotton, bought in Liverpool. This is an example of a process that has taken place in the past and is still taking place to some extent. But the alarmist does not notice the Nemesis that follows it, and how the tide turns. When these infant industries have grown to be giants and aspire to a world wide trade, what happens? They dump, says the protectionist. Yes, they dump to some extent. We can't deny it. We have all been hunting the dumper for the last six or eight months, and we admit he is not a fabulous animal, he is a real creature. But what are the principal things the dumpers are at present dumping upon our shores? Far more important than steel billets, is the dumping of foreign capital. American brains, organisation and energy; and German education and technical skill. When the organisers of an industry aspire to a world trade, they find the protection that propped their infant steps impedes them, and ruins their chance; they find that it is in England, the land of free

imports they can produce the best result for a given expenditure. The tide has definitely turned, and to-day the process we saw in the transfer of such an industry as that of Messrs. Coats to America is reversed in far more cases than it is repeated. This is quite a conspicuous feature in our industrial life, we observe it all round us. We see the largest and most famous manufacturers of mining machinery in the world—a Chicago and San Francisco firm (Fraser & Chalmers) have established works near London. We see the largest American boiler making firm establish itself in Scotland. The largest makers of electrical plant in the world (Thomson Houston & Co.) settle at Rugby. It may interest some Birmingham Member of Parliament to notice the American Screw Company settling down at Leeds. I might add indefinitely to the list—the Linotype Co., the Singer Co., the Kodak Co., the Swan Match Co., the great Westinghouse Co., which employed, when I last enquired, some 7,000 hands. All these are industries of the highest class secondary industries, if you like to call them so, not “staple” industries; industries known under the generic or slang term of “pickles and jam,”—that is to say, industries of the highest class, built on English ground by English hands, using English material, paying British taxes, and employing armies of the most skilled English workmen at the highest wages.

The most striking example of this phenomenon came to my knowledge a few days ago. A great American manufacturer and inventor, whose name, if I were at liberty to mention it, would be familiar to many, finds that for a vast and new manufacture, he requires as material a semi-manufactured product he can only

procure in Germany. In America are the man, the brain, the capital, the organisation ; in Germany, the semi-raw material ; between them stands the American tariff. The question at first was whether to take the works to Germany, or the material to America, but consideration of all the circumstances made it clear that in the land of free imports the conditions were the most favourable. And to this country a new industry would come, but for the horrid doubt that has arisen, whether we may not kill our opportunity by imposing a tariff ourselves.

All this means that the greatest and most successful of American firms find it the most profitable course to pursue when they receive orders from foreign countries is to send them to England for execution, when under conditions of freedom they would naturally go to America.

Just as by the Revocation of the Edict of Nantes, a narrow and intolerant religious policy in France drove to this country the best of their industries, and of their industrial population, so a policy of narrow and unenlightened selfishness is driving to this country much of the capital and of the best organising and technical skill of the world.

We greatly reproach ourselves with our blind neglect of education in applied science, our neglect of technical instruction and of training in modern commercial methods. We see the ground we have lost by our neglect and our parsimony. But here our theory and practice of free imports has come to our rescue like a beneficent fairy, and dumped upon us the best brains and the best training all the world can supply. I have heard it objected that, after all, these men who come are foreigners, although they may employ British

labour and pay British taxes. They are foreigners, but like their industries, they have come to stay, and they become the best of good citizens. I have often noticed that there is no better Englishman, and none whose patriotism is quite so exuberant as that of your Anglo-American or Anglo-German of the second generation. I have also heard it objected that these industries are tributary ; we are working for foreign masters, foreign capitalists, and are under foreign control. Really it is difficult to satisfy some people. If a British capitalist takes his capital abroad and employs the foreigner, the country is being ruined ; if the foreigner brings his capital here and employs Englishmen, the country is being enslaved. The most perfect poetic justice in retaliation, if it comes about by a law of nature, will not satisfy them. If the foreigner comes and buys a number of your old ships for three times their value, it is a deadly injury. I should like to ask the professors of retaliation what is the proper form for retaliation to take in such a case. I, for one, should object to retaliate in kind.

I think the fear expressed of our paying industrial tribute on balance to the American capitalist is unfounded, for among the items of our free imports we find, not only American capital, but the actual American millionaire and millionairess, who also comes to stay.

What I have said may shed some light upon the dreadful phenomenon of the great excess of American exports to this country over their imports. When all allowance is made for indirect trade, invisible exports, for the pay for carrying on more than half the American foreign trade in British ships, for the payment of all the personal expenditure of all Americans in Europe, for

the payment for the Carnegie libraries, and the dowries of our duchesses, I admit a balance remains that must be a movement of capital. It does not follow that we have been sending back our securities as protectionists affirm. There is no evidence of this, and the opinion of Wall Street appears to be that we have not done so. The movement of capital from America, so far as it exists, seems to be a movement of highly specialised capital for investment in new industries over here—capital flying from the cramping bonds of protection to work out its destiny in the country of free imports.

The ultimate decision of this question as of all questions in this country rests with the working populations of our cities and countries. They had a dazzling vision displayed before their eyes, when the scheme of Fiscal Reform was launched—but this vision has faded away. A vast new revenue was to be applied to their particular benefit, in social reforms and old age pensions; that vanished quickly and abruptly. A higher level of wages was promised; that has gradually and silently faded out of sight. It appears to have been no part of the reference to the Tariff Reform Commission to prepare a schedule of increased wages as a counterpart to their schedule of proposed duties, and “increased prices.” Higher wages is practically if not officially, dropped. It clearly does not suit the book of the present organisers and contributors to the funds of the Tariff Reform League. The interest of the working classes in this controversy is concentrating on the one single item left them—the promise of better and more regular employment.

A pathetic picture is drawn of the skilled and middle aged man, whose employment has been stolen from him

by the protected and dumping foreigner. He has before him the alternative of a lapse into the miserable army of the unskilled and casually employed, or the slide into the lower level of the pauper or criminal classes. He is promised that protection will deliver him, not only from these evils, but from the haunting dread of them that poisons the lives of too many of our working classes. This is the residuum left to him of the golden vision. The problem of unemployment is one of the most important that can engage the attention of anyone. To mislead the working population of this country on such a subject would be one of the most cruel and criminal errors possible to a public man. But this is what we believe the protectionist party is doing. The people are to-day being taught that every furnace or factory erected in a foreign country is throwing Englishmen out of work—that England was the workshop of the world—that she is so no longer, but might have been if English statesmen had known their business. I should not have believed we should have heard crude economic statements of this character, but for Mr. Bonar Law's statement expressing them in their most uncompromising form. "The more we buy from any nation, the less they buy from us," he said. His figurative demon stands on his imaginary river frontier, and says, "You may buy, but you shall not sell." To controvert such doctrines which assume an ignorance of the laws that govern the international exchange of products, and the financial principles of foreign exchange, would be to enter upon an exposition of elementary economics which would be an insult to the intelligence of the reader. It is a doctrine described by the protectionists' own professor—Professor Ashley, as "one

of the fallacies of popular protection.” One can only ask in astonishment, is this the latest economic revelation from the city of Adam Smith, or do not economic laws hold good for Scotland. Mr. Bonar Law’s scientific position is exactly parallel to that of a young friend of my own, a little girl of 6 years. She had returned from a visit to her Scotch relations, and was talking to her mother on the important subject of her birthday. In answer to her questions her mother had informed her of the day of the week, and month, and year of her birth. “Mother,” said the child, “was I born on a Sunday? Well that would never have been allowed in Scotland.” Mr. Bonar Law’s scientific opinions in the sphere of economic law in Scotland seem to me to be exactly parallel to that of my little friend in the sphere of physiology.

Surely no one will maintain that it would have been well for England, even if it had been possible, that she should remain the sole workshop of the world—that a Pittsburg should be added to a Sheffield, and an Essen to a Wolverhampton—no one, except perhaps a ground landlord. It was impossible. The truth stated broadly is, that the consumption of the world has in late years enormously expanded; that those countries which, with equal or superior natural resources to our own, and a great reserve of a half-fed, half-employed rural population, or a large immigrant population to draw upon, have naturally advanced more quickly in the dimensions of their production than we, who had no such resources. We are no longer the sole workshop of the world. But, if we have not kept the whole trade, we have kept the pick of it, and the proof can be given in one word—it is that the trades we have kept make our people the best

paid and best fed of any people except the Americans, and they work shorter hours than any, including the Americans. If we have lost any trades to continental nations, doubtless we could recover them at the price they pay. God forbid that we should try.

But what is the *extent* of the phenomenon of unemployment in this country? All available statistics go to prove that, at any rate it is less than in protected countries, less even than in America, if you confine your attention to the protected trades in America in which the unemployment that exists seems to be concentrated.

In 1899, a year of booming trade, there was practically no unemployment of any body of able and willing workers in this country. In the two to three following years the South African War kept all the productive resources of the country at full strain. Not a mill, not a mine, not a ship, fit for its work, was idle. No man able and willing to work wanted employment, almost every employer wanted men. The prosperity of the country, judged by employment, reached the saturation point—we had all the prosperity we could hold. Manufacturers of all kinds were refusing orders on all hands, and a considerable part of the increase in the export of foreigners to us of manufactured goods, of which we hear so much, consisted of the overflow of our own trade which we could not take on ourselves. As a railway director, I know that if we invited tenders from a dozen firms for any work, we received polite refusals from perhaps all but two or three. It was impossible to get a locomotive built and delivered by a British maker under a year and nine months. These are the years the protectionists' arm-chair statisticians point to as evidence

of our declining trade, on the strength of the Board of Trade returns of our exports. What our real exports were during the war the Board of Trade returns do not shew—scores of millions of the produce of British industry left this country for South Africa, sent by the Government, as transport followed transport by every tide, which never had values declared or appeared in the returns; nevertheless they had employed British hands, and the British instruments of production. What our exports recorded by the Board of Trade would have been but for the war, we have no means of knowing, but the fact that we have reached our “record” in a year of reaction, depression, and lower prices, shews that they would have been greatly in excess of the figures actually published. Those who point to these years as proof of decline ought to shew, what we could have done more than we did, or what we should have left undone to take on something better.

Apart from the unemployment of the aged, widows, children, the incapable, and the unemployable residuum, the problem of unemployment is one of the periodical vicissitudes of trade—in bad times the employed become partially employed—the partially employed become unemployed. The central fact of this problem is that every trade produces not only its own employment, but its own unemployment. It is the greatest error to suppose that by artificially bringing a new trade to a country, or artificially stimulating an old one, you can absorb the unemployed.

The mind of Mr. Chamberlain is possessed by a fear amounting to mania of the supernatural malice and skill of the foreigner. He believes bad times will not touch the foreign workman—the dumper will continue

to dump, and the foreign workman will therefore continue to work through bad times and good while our working men will be idle and starve. At Greenock he quoted the threat of "a Director of the American Steel Trust." "Oh," said the director, "we have made our preparations, we are not going to reduce our output. We are not going to blow out a single furnace." This Mr. Chamberlain seriously placed before us as what we might look forward to. Did not it occur to him to reflect that even the guileless American has been known to boast? Did it not occur to him as a business man to consider what the American shareholder might have to say to the American director? At any rate we see the result which might quite easily have been foreseen by a business man. I read particulars in one number of the American trade paper, the *Iron Age*, of eighteen iron, steel and tinplate works entirely or partially closed. I read of twenty-four American iron, steel and tinplate companies which had reduced the wages of their men; I read of men being discharged from their work in all directions; of one firm remorselessly paying off 7,500 at a stroke. I gather that the production is now reduced to considerably less than the average home consumption. Acting on the average instincts of the average unregenerate business man, they have preferred to collar the home market, and again make money, rather than fling it away with a policy of wholesale dumping.

The amount of unemployment in the iron trade of protected America is of an extent and intensity far beyond anything in this country.

From the point of view of the working man especially, it may be said, in the words of an American orator,

“Protection is not a policy, it is a swindle.” In most foreign protected countries I believe, the protectionist policy to be the policy of a minority in the interests of a still smaller minority—a minority of wealth, privilege, and monopoly. It includes almost every landowner of Europe and every millionaire in America. What explains the German tariff? The central Government wanted revenue, the army authorities wanted a rural population to recruit from, the agrarians wanted high rents, and the clericals wanted “a deal”; and the result of this unholy alliance of minorities was the New German Tariff. And the result of the New German Tariff was 3,000,000 votes cast for social democracy,—as *The Times* admitted as a protest against the food taxes; Berlin solid, and industrial Saxony solid for the social revolution.

In America, Mr. Atkinson, the Boston economist—of whom Lord Goschen once said, “He makes statistics as interesting as a true fairy tale”—calculated that out of $29\frac{1}{4}$ millions of persons occupied for gain in the United States, less than one million were engaged in trades directly or indirectly protected, or would suffer at all by the immediate adoption of Free Trade. Where then is the strength of the system of protection in the United States? It consists in the wealth, influence and activity, the unscrupulous activity of the interested minority. They dominate politics, they collar the party machine, they buy the press, and they buy the voter; they even endow and corrupt the universities—and this is what they would do, what they are beginning to do here.

I cannot believe in the final triumph of a policy in the interests of a comparatively small minority.

NAVIGATION LAWS

SPEECH IN HOUSE OF COMMONS

PEOPLE talk with a breezy courage about re-imposing the old navigation laws—a courage which seems to me to be born of a plentiful ignorance of what these laws were. They seem to imagine the laws passed by Parliament will rule the oceans of the world instead of simply the ports of the United Kingdom and the ships that are registered in them.

And when they talk of the Old Navigation Laws, what do they mean? All of them, or only some of them, and if only some of them—which? Are we to confine the trade of our Colonies as we did in the old days to the Mother Country, and to enact that no goods shall be exported from or imported into our Colonies except to and from the United Kingdom and certain treaty ports in foreign countries? This was the wholesale manner in which the old Navigation Laws disposed of Colonial trade before the American War of Independence. Is it not certain that any attempt to restrict and regulate Colonial maritime trade after the fashion of the old laws would snap at once the chains of the Empire instead of strengthening them? The real action of the navigation laws is assumed by those who advocate it to be in the interests of British

merchants and British shipowners. But simply to name a few of the old laws would show that their re-imposition would vex and irritate them and paralyze them far more than it would assist them. Are we again to classify and specify articles of foreign produce, some that must, and some that may be imported in British ships? Are we to ask for certificates of origin of imports—certificates impossible to obtain, and quite worthless under the old laws? When the captain of the ship, who of course knew little about it, gave as a matter of form the certificate for his cargo, and no further questions were asked. Are we to have such a law as that forbidding the import of tea from any port on this side of the Cape of Good Hope? How would the British shipowners like to have the old regulations about nationality of sailors, and about apprentices, together with the old law that Lascars shall not be British subjects; the prohibition of all but small repairs to ships when abroad, and many other restrictions. These things may be good or bad, but they are not what the shipowner and craft desire in these days. When one looks at the bands that swathed the shipping industry in the past, we see that they could only be worn by an infant. We could as easily stop the traffic into the City of London to pay its tolls at Holborn and Temple Bars, as revive such a system in these days. These vexatious laws could not be enforced even when ships took weeks to discharge by hand labour, and weeks to refit, and weeks to load their minute cargoes.

But it is not the old laws that are really in the minds of the advocates of protection to British shipping. What they more or less vaguely conceive as desirable are two things. One, I regard as absurd and impossible,

the other is arguable, but I think dangerous. The first and the impossible proposal is to confine our import trade to British tonnage ; the second and more reasonable one is to confine our coasting trade—that is our Imperial coasting trade—to British tonnage. The first proposal is supported by men who did not understand the conditions of the trade by such vague arguments as these. Our imports, they say, are our own property—we buy and pay for them, and we have the right to stipulate that they shall be carried in British ships. It is pointed out by them that if other nations retaliate and impose similar laws upon their own imports from this country, these imports, although of great value, are of little bulk and provide little freight, and would not support the foreign steamers. Therefore such retaliation would not injure us to any extent. In reply to these arguments I would like first to state that this is not a proposal to re-establish the old Navigation Laws that we abolished in 1849. You must go two centuries further back, to a time when foreign trade scarcely existed for such a law as this. The old law said our imports from foreign countries were to be carried either in ships sailing under the British flag or under that of the exporting country ; and did not venture to impose the rule that all imports were to be in British ships only. This proposal is directed against the United States of America in particular, and is grounded upon fears which I regard as idle : that the ships of the North Atlantic Combine will pass sooner or later under the American flag. And it is assumed that such a law will keep the great American export trade in British hands. It is quite true that retaliation by a precisely similar law passed by America would not

injure us to any great extent. But why should the Americans be content with such an inadequate retort to our challenge? They are adepts at retaliation, which they call reciprocity. They would say the resources of civilisation are not exhausted when they impose a similar duty on the carriage of their own imports. I would rather express it that "methods of barbarism" were not yet exhausted. They would at once, and most naturally, decree that all American exports to the United Kingdom must go in American ships, and then where would we be? In time of peace that which has been threatened as the ultimate calamity of war would have fallen upon us. These islands would be blocked by a paper blockade, and our food supply would cease to come. Any Government, even the strongest, would be brought to its knees in a fortnight, and compelled to suspend such a law, whilst it called Parliament together to repeal it and pass an Act of Indemnity.

But the second proposal, that to confine our Imperial coasting trade to British ships is more feasible. It is a large demand—nothing less than that a voyage from Montreal to Melbourne should be considered a coasting voyage. But how would this affect us? Let us first compare our trade with our foreign trade. Let us see what it is we place at hazard compared to what we secure to ourselves by legal monopoly. Of vessels entered and cleared with cargo to and from foreign ports, 42 million tons are British, and 26 million foreign; or roughly, two-thirds British, and one-third foreign. Of vessels entered and cleared at ports in British possessions, 9 millions are British and 900,000 foreign—that is 91 per cent. British, and 9 per cent. foreign. The House will see therefore, that the trade with our

own possessions is at the present time almost entirely in our own hands. But it must be remembered that our whole trade to foreign countries is much larger than that to British possessions. About 87 per cent. of our trade is with foreign countries, and 13 per cent. is with British possessions only. The effect of this proposed law to restrict the British coasting trade in its widest sense to British ships, would be simply to exclude those foreign ships which are now engaged in this trade. And the amount of trade done in such ships amounts to $1\frac{1}{4}$ per cent. and no more of our whole trade. The proposal to restrict the carrying trade between Great Britain and the colonies and dependencies to vessels under the British flag, could, at the most, result in transferring 9 per cent. to that trade which represents $1\frac{1}{4}$ per cent. of the total carrying trade of the country, from foreign to British vessels at the risk of reprisals affecting the British carrying trade with foreign countries, which represents $53\frac{1}{2}$ per cent. of the total carrying trade of the country. It may be urged that the fact that we at present carry so nearly all the Imperial coasting trade is an argument for making our practical monopoly a legal one, before foreign opposition grows to be a formidable obstacle, by creating vested interests which it might cause international embarrassments to destroy.

This argument has a certain amount of weight, and I do not speak as an advocate. I am desirous of weighing both sides of the question. I would repudiate the accusation of being a "hardened and convicted economist." I would judge this question by the hard logic of statistics, and not by the soft logic of deductive reason. Let us consider a few of the consequences which might follow the enactment of such a law as that proposed.

At present about 25 per cent. of the cargo that goes from this country to the colonies is trans-shipped cargo—that is imported cargo—imported to be re-exported. If this law were passed, and freights thereby artificially raised, would not all or most of this cargo be shipped direct from the Continent? Again, suppose these laws were to provoke reprisals of various kinds, what would happen to the British vessels that load by the East Continental ports—P. & O. boats that load at Antwerp, South African boats and West African boats that load at Hamburg, and others? In this game it appears to me we are giving enormous odds. We are playing with high stakes against no stakes. But if a concession must be made to protectionist clamour, if principle, which it is an unpopular thing to name, must be sacrificed, I should be prepared to give up this little principle. It is urged that France and Germany and America already impose this law, why should not we? I reply, the British Empire is a very different thing from France, Germany and America. An error in policy on a little scale is a different thing from the same error on a big scale, although the principle may be the same. Our Empire has grown up, and our commerce has grown up since the Navigation Laws were repealed. Neither our Empire nor our commerce is looked upon with affection by foreign powers, although under the British flag. Their citizens may settle and trade on equal terms with ourselves. But what would be the state of universal world-wide opinion if we were to withdraw the innumerable ocean trade routes of the vast section of this planet forming the British Empire from the sphere of competition? Might not the Empire, now regarded with jealousy, be regarded with dread and hatred, as an

oppression intolerable ? It is one thing to submit to a monopoly of a trade from France to Martinique, but it is another thing to say that no French or German, desiring to get to a rice port, shall carry a cargo of Cardiff coal to Colombo or the Cape. We would do well to consider the magnitude of the changes that are proposed with so light a heart and no risks to attend them.

A SCIENTIFIC TARIFF

SPEECH IN THE HOUSE OF COMMONS

TARIFF REFORMERS profess that they do not want to return to the old full-blooded protection of the early years of the nineteenth century. But they forget that in the middle of that century there was a great tariff experiment on their own lines. It was a scientific tariff of the modern kind and contained colonial preference, and it was the failure of that tariff that completed the full conversion of Peel and Gladstone to free trade. A Committee of the House of Commons which sat in 1840 and was presided over by Joseph Hume recommended a scientific tariff, which was adopted by Sir Robert Peel in 1842. The principles of that tariff were the reduction of duties on raw materials, which in no case were to exceed 5 per cent.; of duties on partially manufactured articles, to a point not to exceed 12 per cent.; of duties on manufactured articles, to a point not to exceed 20 per cent., and it also contained the principle of preferential reductions of the duties on colonial products. That was the tariff advocated to-day by tariff reformers. It proved a failure, and it was its failure that converted Peel and Gladstone to free trade. In the course of my study of the economic history of that period I was very anxious to purchase a copy of the

report of the Hume Commission, but failed, until I came across a second-hand copy, which I found had been in the possession of the late Sir Stafford Northcote, and had voluminous notes upon it in that statesman's own handwriting. Those notes showed that the late Sir Stafford Northcote had no belief in small duties, and one calculation he made was to the effect that in the two years following the tariff of 1842 the produce of the tariff on 17 articles was £21,417,000, whilst the total revenue was £22,710,000, so that 95 per cent. of the whole revenue of the country was collected from 17 articles which were subject to tariff. That illustrated what I have said that there were only 46 articles in the tariff which yielded revenue worth collecting while 822 articles produced nothing. We know what the state of the country was in what were known as the "hungry forties." The whole system of small taxes has been changed since then. The only people who paid taxes on imported goods were the taxpayers who lived in the country where the taxes were imposed. What I would like to know was whether tariff reformers and the Tory Party advocated the institution of a general tariff, or not. "General tariff" was a term which had a very definite meaning in diplomacy and finance. It meant a tariff in which taxation was the rule, and freedom from taxation by the construction of a "free list" the exception. It meant a tariff that could be expanded into a penal tariff or reduced into a preferential tariff.

We have experience of Canada in regard to the matter of Canadian preference. We have a very wide and very long experience of it. In the Coronation year of Queen Victoria we had a preference with the Colonies

and a preference with Canada was in full swing. We had some 80 preferential duties, and they were very considerable ones. They were preferences of this kind. Canadian timber was admitted here with a tax of 10s. a load, and foreign timber was admitted with a tax of 55s. a load, and so on all round. The preferences were tremendous, but in that Coronation year Canada broke out into an armed rebellion. This doctrine of Canadian preference is held up to us as being a cement which will bind together the Empire. If I believed it were a cement, Free Trader as I am, I would sacrifice a good many economic considerations to gain it; but for my part I believe it is no cement, and I suspect it is dynamite. About the time of which I am speaking, Mr. Gladstone, who, I think succeeded Lord Stanley, was Colonial Minister, and in a dispatch to Canada he spoke of the preference that then existed as "an exchange, not of benefit, but of burdens." In attacking mutual preferences of this kind I wish it to be quite understood that I am not attacking the free preference as it exists at present. One has no relation to the other. It was just after the institution of preference by Sir Wilfrid Laurier that he uttered these words: "There are parties who hope to maintain the British Empire on lines of restricted trade, but if the British Empire is to be maintained it can only be by the most absolute freedom, politically and commercially. In building up this great Empire to deviate from the principles of freedom will be bad and do much to weaken the ties and bonds which now hold us together." These words were uttered by the statesman who instituted the present form of Preference with this country almost immediately after he had established that system. Of course, it was a free

gift for benefits received, but it is said that it cannot be expected to continue unless we return it in kind. If, however, we are to make a balance-sheet of debit and credit between this country and Canada, then I maintain, as things stand, and with the one-sided preference which exists, there is no existing debit balance against the Mother Country. There has been a good deal of criticism of the proposed reciprocity treaty on its merits. This reciprocity is no new thing between Canada and the United States. We know very well that there was a wide reciprocal treaty of trade from 1854 to 1866 between Canada and the United States and when that treaty was made British Ministers loyally and energetically supported Canadian statesmen in trying to bring it about, and it was very largely through the good offices and the wise diplomacy of Lord Elgin that it was obtained. After that time it is a matter of history that Canadian trade had a remarkable and splendid expansion, and it is a matter of history that in 1866, when it was ended by the United States, there followed a long period of depression. But Canada was always ready to renew her reciprocal relations with the United States, and there was never a time when she was not only willing but eager to do so. She made offers in 1869 and in 1873, and Sir John Macdonald and Sir Alexander Mackenzie were both as favourable to an arrangement with the United States as was Sir Wilfrid Laurier. We have had the effects of this proposed treaty described, and it is rather a relief to me to find that Tariff Reformers try to recognise scientifically what would happen to a price when the area of supply and demand is altered by a duty or a tariff. Supposing that the arguments of some of the opponents of this

treaty are correct, and it means that if it passes we shall have to pay more for Canadian wheat, is it not possible for us to take up the position of Canada in this matter? She is to refuse apparently a higher price from her next-door neighbour in order that she may give us her wheat at a lower price in consequence of law and of tariffs. This is the attitude which has been taken up by many papers and by Members of this House. But it seems to me to be an extremely mean and unpatriotic one, and one which contrasts extremely unfavourably with the attitude of the Western farmers to-day. On that point I may remind the House that they have expressed patriotic sentiments, not only individually, but collectively, to the effect that they disdain enhanced prices which were to be gained artificially at the expense of the British poor.

I think this contrast is a rather humiliating one for those who have put forward the arguments. It has been made quite clear that those Tariff Reformers who are fearing higher prices for Canadian goods are wrong. It has been pointed out that the United States are still an exporting country, but I do not think it has been pointed out what a large exporting country it still is. It produces on an average some 650,000,000 bushels of wheat per annum, and although the Americans are great eaters of wheat and bread and eat a good deal more than we do, nevertheless they do not eat all that. They do not eat it by a good deal. Their consumption does not amount to 500,000,000 bushels at present, and on the average they export, either in the form of wheat or wheat flour, the equivalent of 155,000,000 bushels. They are a very long way from being a nation which finds it necessary to import wheat for their own

supply. They do not want Canadian wheat to supplement their supply, they want it to mix with it. They have it already for their export trade, because they can and do import it from Canada and get 99 per cent. of their duty back. They want it to improve the quality of their own wheat, and every bushel that comes into the United States immediately liberates a bushel for export, so that our total supply will remain the same and the price will remain the same for many years, and when the time does come when the United States cannot support its own population and find itself in bread, it will not be any slight fiscal arrangement with this country which will keep it from absorbing what it requires from Canada. This bugbear rests upon a fallacy.

The truth which underlies the whole movement, and it is one which the hon. Gentlemen opposite are very unwilling to see, is that it is a Free Trade movement. They will not see that in all the world the consuming populations are struggling to burst the Protectionist bonds. Tariff Reformers are blind to the gathering force of the movement. The Aldrich-Cannon-Payne tariff has been the last straw, and the camel is struggling rather to shake off its load than to stand the proverbial broken back. In Canada the movement is stronger still. It is a real Free Trade movement, and I will not waste time in making quotations which can readily be multiplied from Canadian newspapers, to prove that it is a great movement, accounts of which have filled the Press in the two hemispheres. To oppose this is really to oppose a tidal wave. It is to oppose a world movement. There are indications and proofs that the tide of protection in the whole world has turned, that its maximum period has passed, and that we are in for a

period of tariff reduction all tending in the direction of international Free Trade. This is the most significant movement of our time, and it is significant of the development of commerce in the western world that the two great countries in this great Continent are arriving at a sane and sensible *modus vivendi*, and it is for us loyally and energetically to second this reasonable and sane arrangement, which will probably be carried into effect by the United States and our great Dominion of Canada.

II

SPEECHES ON POLITICS

COAL AND AN EXPORT DUTY

(HOUSE OF COMMONS)

I THINK I may say that I am the only Member of this House who will benefit by this tax ; to me it is a purely protective duty, and therefore I may be regarded as impartial and unprejudiced in protesting against it as being impolitic. I have heard hon. Members talk about the woes of the contractors, and I have heard the Chancellor of the Exchequer say he proposes to deal with the contractors with liberality. Now, liberality is a subjective term, and is supposed to mean a little more than justice ; but having seen the regulations issued by the Customs House it appears to me that something less than justice will be dealt out to the contractors. The loss will not fall upon those whose excessive profits have excited the envy of us all. The export coal owner is very rare, and the tax this year will not fall on the shipowner or the foreigner. In compliance with instructions issued by the Government the contractors have asked their foreign customers to allow this extra amount to be added to their invoices, but the foreigner says he does not call the tune and will not pay, and in every case there has been an unqualified

Mr. Russell Rea's maiden speech in the House of Commons, May 6th, 1901.

refusal. The loss will fall on the export merchants, who work through bad times and good times alike at a very small margin of profit.

I regret that the initial and temporary difficulties attending the imposition of this tax should have, to so great an extent, diverted attention from the fundamental question of the policy of the tax itself. Let us look at this. An export tax upon coal has always been a fascinating subject for theorists and politicians alike. We have heard of Professor Marshall from the right hon. Gentleman who has just sat down. Now Professor Marshall commenced to write a book in favour of this tax twenty years ago, but he never got that book written. When he came to consider all the difficulties of the question he withdrew, and left it, as he said, with a tribute of admiration to the right hon. Gentleman. But his admiration is addressed not to the wisdom of the right hon. Gentleman, but to his courage. In my opinion the importance of this trade has not been realised by the Chancellor of the Exchequer or by this House. I gather it has not been sufficiently realised from many remarks—especially one. The Chancellor of the Exchequer spoke of the exports of coal as being 8 per cent. of our exports in 1899, and as being 12 per cent. of our exports in 1900. This was taken on values at the port of shipping. But you have immediately to add to that from 50 to 200 per cent. for freights. It is a fact that by far the greater part of the revenue of our mercantile marine on the export trade comes from this trade. When I say the greater part I do not mean that it is greater than the revenue derived from other single exports. But it is far greater than the sum derived from all other exports put together. This is calculating the trade by

values. But there is also another way of calculating. In the rough exchange of imports and exports by weight and not by value coal pays for all. Coal is the basis of our whole export and import trade. It is a commonplace political economy that in value exports and imports must pay for each other ; but it is also equally certain and clear that there must be some sort of rough equation also in weights. The ships that come to this country must be loaded outwards, and almost all are loaded with coal, and with coal only. Sir Robert Giffen has calculated that the total weight of import of goods into this country amounts to about 40 million tons. The exports of coal alone considerably exceed that quantity. Of course hon. Members are accustomed to see the Board of Trade Returns every month of imports and exports. Coal there appears as one item among many, and apparently not the most important. But all the Manchester goods, all the Sheffield goods, all the Birmingham goods, and the like, are goods of very small weight ; they pack into small space, and are all snapped up by the liner. Now the trading steamers, the tramp steamers, and sailing ships bring to our shores the raw material of our manufactories. In timber alone they bring 10 million tons. They bring the food we eat. They bring of grain alone 10 million tons a year, and they go back loaded with coal. This free export of coal is the basis and the fundamental reason of our cheap imports. What is the reason that in the markets of Mincing Lane and Mark Lane and in the Exchanges of Liverpool, you are able to buy the produce of all other countries better and cheaper than anywhere else in the world ? It is not only because here we have a great consuming market, and it is not only because here the

merchant has the greatest financial facilities, but it is also because the shipowner knows that he can afford to bring his ships to this country at the very lowest freight, being quite sure of a cargo of coal out again. It is this trade that has made the English produce markets the safest in which to sell, and the cheapest in which to buy in the whole world.

Now, I will speak of the effect of this tax upon the future. I cannot understand the Chancellor of the Exchequer's attitude. What is his view? At one moment he speaks of this trade as a growing giant which nothing can hamper, and at another moment he says we are approaching the exhaustion of our best and cheapest coal, and that we shall have to fall back upon the dearer and inferior and more expensively-worked coal. In the second opinion he agrees most nearly with the matured and thoughtful opinion of those who know the trade best. It is the opinion of the best judges that our coal exports will not go up and continue to increase in geometrical ratio or in arithmetical either, but that we are approaching a stationary period, and that we see before us—I hope in a very distant future—a period of decline. The truth is, we are face to face now—and last year I saw it—for the first time with our first serious competitor, and I wish to make an estimate of the chances this competitor has against us. I will take what the Chancellor of the Exchequer regards as our own secure monopoly—the Mediterranean market. Our competitor is America, and no other. America is our first competitor, but she will not be the last. In the Mediterranean America has thrown down the glove, and we have to take up the challenge. She has already taken contracts, and she means to keep them through

good times and through bad. America, as the right hon. Gentleman the President of the Board of Trade has just said, has this disadvantage—she has to bring her coals as many thousands of miles across the seas as we have hundreds. American coal is 3,000 miles farther away from the Mediterranean than British coal. But British coal is 800 yards under the surface, and American coal is on the surface. And the 800 yards is more than the 3,000 miles. The Chancellor of the Exchequer also alluded to the fact that Providence has placed our rivals' coal two or three hundred miles from the coast, while our coal is on the coast. But the American coalowner has a special and compensating Providence in the American railway companies, who take his coal to the coast at rates which are unheard of here. I have not the rates with me, but the best American coal—the coal of Western Virginia—can be brought to the port of shipment at considerably less than a dollar and a half. Therefore, at the port of shipment America has the advantage. Then comes the question of freights. What has been done with freights in the Atlantic trade already? Fifty years ago, when the Corn Laws had been just abolished, John Stuart Mill ridiculed the idea that any great part of the food of England could be brought from across the ocean. The Chancellor of the Exchequer takes to-day exactly the same position with regard to coal as John Stuart Mill took fifty years ago with regard to corn. What has been done in the Atlantic trade? Before the present boom hon. Members may have seen in the papers every morning, “Grain freights to Liverpool and London, 1d.,” and I suppose very few understood what that meant. Sometimes it was 2d., but it used to gravitate down to 1d. That meant about

3s. 4d. or 3s. 5d. a ton, and not hundreds or thousands, or hundreds of thousands, but millions of tons of grain have come to our ports at such freights. That is a far lower freight than we ever sent coal to the Mediterranean at or even to Gibraltar. It is a lower rate of freight than we were paying for coal from Cardiff to London at that very time. Why was it? Here my argument with regard to weight comes in. The shipowner wanted weight for his eastward-bound ship. Those who look at the larger movement of trade see that America is not always going to provide us with our corn. The growing population of America will eat up their own corn. Further, consider the enormous increase in the export of American manufactures, especially within the past two years. Put these two things together and you will see that America is coming into line with England as an exporter of manufactured goods, and as an importer of raw material and goods of consumption. She will also want an export trade in weight, and she will find it in her inexhaustible coal mines. I do not mean that this will be in the distant future. It will be in the immediate future. America sees it and is providing for it now. Our late boom has given them perhaps a little chance of entering into the battle earlier than they otherwise would have done, but they have taken large Mediterranean contracts, and they are building ships to carry these contracts through and to keep them. They are building colliers of a size hitherto unknown. I do not mean the ordinary tramp steamer—the three-deck steamer that takes out a cargo of coal from Cardiff in alternation with other cargoes, but I mean the single deck, large hatched, self-trimming collier, that can be loaded in a few hours and discharged by machinery

almost as quickly. They are building in this country such ships, and these ships will carry 10,000 tons to Marseilles, Genoa, or Port Said at rates as low as have been current from Cardiff to those ports in the past. This is the position of affairs, and it is causing anxious thought to those who are concerned in this business. I beg your pardon, I should say this was the position of affairs three weeks ago. In the meantime, the Chancellor of the Exchequer has interposed with this precious taxation; and in my opinion the force of infatuation can go no farther. When Americans take up a business they generally carry it through. Three or four years ago they took the tin-plate industry, so far as it was an export industry, to the United States, and how far they have succeeded in keeping it the hon. Members who represent the districts of tin-plate industries can tell you. They were aided then by a high protective duty, and they used this weapon without scruple, and without mercy. In this new competition the people of this country expected that at least they would have had a fair field. We heard some rumours of a bounty, but we did not believe them, and the American may now keep his bounty in his own pocket, for we have found a bounty for him out of our pockets. I think the right hon. Gentleman has been deceived by the recent boom. I think that boom was an accident, and was the result of a Continental overflow of orders to a greater extent than the Continental collieries were able to supply. We were the only country able to take an immediate advantage of it; but I believe that the ultimate advantage will go to America. After the boom of 1873 the trade suffered the greatest depression ever known, and we are now beginning to feel the reaction

from the year 1900. Probably, in the natural course of events we should have suffered a period of depression, but that period will be aggravated in the immediate future by our first serious competition, and to this we have now to add State aid, not to ourselves, but to our rivals. "There is a tide in the affairs of men which, taken at the flood leads on to fortune," but there is also "a tide in the affairs of men which first flows in this way and then flows back again," and I feel that the right hon. Gentleman the Chancellor of the Exchequer has embarked upon a tide of the latter character and not of the former.

Having spoken against the principle of the tax on a former occasion I would have left the matter there, but that I have some facts which I think it desirable the Chancellor of the Exchequer and the House should know. Some of the predictions as to the operations of the tax had already been realised. I have pointed out over and over again that the free and cheap import of food stuffs was governed by the free export of coal, because it was the only article of bulk and weight with which we could load ships outward bound. I have also said that America is coming into line with us in this matter and would be a great exporter of coal. At present her export is grain, and I wish to call attention to the ballast rates at which grain is brought into this country. What had happened? As soon as the duty was announced and a strike was threatened the managers of the Atlantic lines telegraphed for coal to be sent from America to England. Grain freights fell to 1d. a bushel; and the

Speech moving rejection of Coal Export Duty, July 10, 1901.

consequence was that shipowners now refused to carry grain as long as they could get coal. The result is that American coal is brought into this country at 13s. 6d. per ton. I have been told by the manager of a large Atlantic line that never again would their ships bring grain at 1d. a bushel while they could get coal. That set out my contention that our cheap imports depend on our free export of coal. It means that the food of the people will never be brought to this country again as cheaply as in the past; and that, where economic forces are fairly equally balanced, a small interference will affect the whole course of trade. If we cannot hold our own in the home ports where the American steamers came, how can we hold our own in neutral ports? That is the question. What does the monopoly argument of the Chancellor of the Exchequer amount to? He maintained that our monopoly was unassailable, and that, in spite of all the increases of freight and the fluctuations of trade, our export in coal went on increasing from year to year, and that the trade was so strong that nothing could injure it. From the Treasury point of view, for a man sitting in his office and judging solely from figures and statistics, that was a perfectly reasonable view. It was pointed out again and again that we had lost distant markets, especially markets beyond the Suez Canal—that we had absolutely lost some, and that our trade with others had very much decreased. But to this reply the right hon. Gentleman said that, although we were losing the fringes of our monopoly, the countries that still took our coal had increased their demands, so that they more than made up for the loss—that over 60 or possibly 70 per cent. of the area of our old monopoly we still had an absolute monopoly, and that that 60

or 70 per cent. was more important than the whole 100 per cent. used to be. That was a natural position for the theorists, judging from the figures, and not acquainted with the actual facts of the trade, to take up. The concessions which the right hon. Gentleman has made have been to the fringe of the trade, but while he has been looking at the frontier the citadel itself is in danger. In the area in which the right hon. Gentleman maintains our monopoly is complete our trade is threatened, and more than threatened. Our competitor in this case is America. America is systematically and scientifically attacking the Mediterranean and European markets generally. The right hon. Gentleman says that ocean freights are a sufficient protection. I say that they are not. Many hon. Gentlemen who know the trade agree with me. The difference of opinion may be perfectly harmless in this House, but there happens to be a third party to the dispute—the American capitalist—and he unfortunately agrees with me and not with the Chancellor of the Exchequer. What advantages has America in this matter? In the first place, coal can be produced in America and put in the truck at 60 cents per ton. so that the American producer can get his coal delivered at his own shipping port, though it is some distance from the colliery, for less than half the present price of Cardiff coal at Cardiff. Since this measure was introduced I have had an opportunity of seeing plans of colliery boats, some building, and others ready to build, of a hitherto unknown size—boats capable of taking 10,000 tons, and these are being built for the Mediterranean trade. The Americans intend to assail our markets there, and in my opinion they have a very good chance. This is a separate question from my

first point—the ballast question. This trade the American ship-owning, railway-owning, coal-owning capitalist calculates can stand by itself. The ballast trade is a sort of by-product, while it is an independent trade, and it is calculated by those who are accustomed to careful commercial calculations that these steamers can run and return in water ballast and compete with the coal of Wales and Newcastle. This may be a ridiculous opinion to hold, but men are risking their money on it, and really, to use a phrase which has become almost classical, if I were to put my money on either horse, I think at the present moment I should put it on the horse which is not handicapped by this tax. I believe this tax is a bad tax commercially and economically, and at the present moment it is particularly unfortunate. Only those who are intimately acquainted with the trade know how near the competition has come. It would have come in any case, but this tax has hastened and assisted it. I fear that in the future the probably successful competition that we shall meet in our own markets will be dated in popular opinion from this Budget. Justly or unjustly, the Chancellor of the Exchequer will be regarded as the father and author of that competition. I yield to nobody in my admiration of the right hon. Gentleman; I admit that his reputation as a financier is as high as that of anybody in the world, but I believe that he is doing that which will for ever associate his name, perhaps to an unjust extent, with a permanent turn in the tide of the prosperity of a trade which is in some respects our greatest export trade; and it is for these reasons that I move the motion standing in my name.

CORN AND SUGAR TAXES

(HOUSE OF COMMONS)

I RISE to oppose the imposition of a duty on corn, not as an indiscriminating opponent of all proposals of taxation that are made, or could be made, by His Majesty's Government. We have got to pay for the war, and I have never refused to vote for any of the vast demands that have been made upon us for carrying it on. More than this, I have been among those who criticise the Chancellor of the Exchequer for his timidity in the matter of taxation and his courage in the matter of borrowing. I have voted for the increases of the income tax, and if he had proposed double these increases, I should have supported him. I have voted for the new stamp duty, although I consider it a bad tax. But the sugar tax last year I opposed, and more strongly still I oppose the revival of the corn duty. I oppose them because I regard them both as excessive demands upon the people, not the people as a whole, not on the prosperous artisan and the small tradesman, but on the poorest classes.

It is said this war in South Africa is a national war. It has the support of all classes—of the man in the street, the man in the workshop, the man in the mine—and they

House of Commons, April 22, 1902.

ought to pay their share, I agree. But what is their fair share? What is the fair share of the third of the population of these islands, which live all their days below the poverty line, people who have not a sufficient income to maintain them in fit physical condition for efficient labour. Men, women, and children who are always hungry, and who cannot be reached by taxation, except by reducing still further their scanty breakfast, which is also their dinner and their supper—bread, sugar, in one of its forms, and tea; taxed tea, taxed sugar, and taxed bread, that is all. To these people the indulgence in the extravagance of a halfpenny paper, or a rare penny stamp for a letter, reduces the children's food. For it is when a family rises to humble luxuries, when it can indulge in meat and fish, vegetables and fruit, butter and milk, it rises to free and untaxed food. What is the fair share for these unfortunate people? Surely no one in this House will maintain that these people should pay out of their life-blood as we in this House should pay out of our superfluities and luxuries. But by the last Budget, this—and much more than this—has been demanded of them, for these people not only consume nothing but these heavily taxed articles, but they consume the bulk of these articles. Per head, their consumption is far greater than that of the average Member of this House: little bread and no sugar is probably our portion. Out of all proportion to the average of the whole nation per head is the consumption of corn and sugar by the poor. In this bottom stratum of society the Chancellor of the Exchequer has found his "thick seam," his "bonanza." He is broadening the base of taxation, and this is the base of the new finance. I must consider the taxes on corn and sugar together, for they are the same tax

as far as the payers are concerned. I do not agree with the right hon. Gentleman the Member for West Monmouth that in taxing sugar you are taxing the comfort of the poor only, and that now you are taxing their necessities. When you taxed sugar, you taxed the most important article of their food, and physiologically, I believe, the most valuable except corn only. It is more to them than meat or fish, vegetables or fruit, butter or eggs—for those to them are rare luxuries. The poor, the really poor—a third of our population—live on bread and sugar (with sugar I include treacle and jam) and tea. Probably jam is, at this moment, the cheapest food, calculating its effective food value, the poor can buy. The value of sugar as food has been demonstrated by careful experiments in the Italian and German armies. The same classes are affected by the corn and the sugar taxes. And it is to an income wholly devoted to these items of expenditure the Chancellor of the Exchequer is taking the heaviest toll of all. It is surely idle to argue that a duty does not increase the retail price, as if a tax were not one of the factors in the cost that determine price as much as labour or freight. It is true the glut of beetroot sugar in the market last year prevented a rise in price, but it is just as true that the duty prevented a fall, and it is as certain the poor have paid a $\frac{1}{2}$ d. per pound more for their sugar as it is that the Chancellor of the Exchequer has received it. And it will be the same with the corn duty. Already the wholesale market has responded with exact accuracy. The retail market will respond, not with exact accuracy, but with a retail profit added. The Chancellor of the Exchequer admitted this in the case of beer, which he is not going to tax further, in his Budget speech. It is

doubtless more difficult to add to the retail price of beer than of bread ; “ fourpenny ” ale remains “ fourpenny,” and “ sixpenny ” remains “ sixpenny.” But the Chancellor of the Exchequer told us what happens when a beer tax is increased. What is altered is not the nominal price, but what he euphemistically termed with “ gravity ” of the beer. The consumer pays—always pays generally more than the tax and never less. That the consumer will pay more than the Chancellor of the Exchequer will gain, in the case of the corn tax, which is also a Protective duty, every supporter of this tax knows well, and that is his principal reason for supporting it. Else why the exuberant delight of the hon. Member for Central Sheffield and his friends ? They know it will not only pay the Chancellor of the Exchequer, but it will pay others too. And the poor—they will not feel it—nobody will feel it ! This stale defence of indirect taxation means only this, and in the mouths of those who use it consciously means only this—they will feel the pressure, but they will not know who oppresses. They will feel the blow, but they will not see the hand that deals it. It is interesting to compare the statements about this tax made by two different Chancellors of the Exchequer. It is true one is putting it on, and the other was taking it off. The present Chancellor of the Exchequer says competition will prevent it reaching the retail buyer—in effect, that it is not a tax on bread at all, but a tax on bakers. What said Mr. Lowe in 1869 ?—“ It has to bear the profit of the miller, the retailer, etc., before it reaches the poor in the form of a loaf. Why, it is a kind of poll tax, of which we hear so much in olden times, but it is graduated in a peculiar fashion, because it falls heaviest upon the

poorest of your people. It has been computed by those who have inquired into the subject that if a man and his family ate nothing but bread—which is the case of the very poor—this duty would be equal to something like an income tax of $1\frac{1}{2}$ per cent. upon the whole means of the family. But if a man rises in his scale of diet, and eats meal, eggs, butter, and the like, he then lives on articles that are duty free, and, therefore, this tax presses with its greatest severity on the poor—that severity increasing in the ratio of their poverty.” The Chancellor of the Exchequer called it a little tax—but what did Mr. Lowe say upon this point?—“The only thing that can be said for it is that it is a little tax. If, however, the argument that the tax, being small, can, therefore, do no harm, is to prevail, then I can say we have found the philosopher’s stone of finance, because whatever may be the difficulty of putting on a good tax, nothing will be so easy as putting on a little tax, or a number of little taxes.”

But I dispute that it is a little tax. I maintain it is a big tax, and, when added to the sugar duty, is a burden upon the poorest, not only oppressive, but intolerable. Mr. Lowe, himself, showed it was a very big tax to the really poor. For what is $1\frac{1}{2}$ per cent. of your income? It is an income tax of more than $3\frac{1}{2}$ d. in the pound, and the sugar tax may be said to be a tax of at least 4d. in the pound—that is, together, $7\frac{1}{2}$ d. in the poor man’s single pound per week. The measure meted out is 3d. more income tax to ourselves (for our share of these articles of prime consumption is in reality infinitesimal, and must be put down at a small decimal of a penny)—3d., I say, to ourselves, and more than double this tax on the very humblest class.

And to reconcile Members of this House to the last penny on the income tax, the Chancellor of the Exchequer has practically pledged himself that the first remission of taxation shall be given to the income tax payers. Hon. Members on the opposite side of the House cheered that announcement with unanimity, just as they cheered the imposition of these taxes on the special food of the very poor. I do not doubt they would cheer the doubling of these taxes. Their financial prophet and teacher says, income tax must go down to 6d., and the "financial basis of taxation enlarged." The last part of this policy has been begun, the first is promised. I have been trying to explain to the House what, in my opinion, this course means. In opposing this tax, and that on sugar, I have been pleading the cause of the very humblest of the people—people with slight influence politically; for even in these days of extended franchise, the class I speak for is still politically the most inarticulate. They are not the intelligent working classes, but the unskilled and helpless, who yet number one in three, and who live on bread and sugar and grain and tea.

A DEFENCE OF TRADES UNIONS

(HOUSE OF COMMONS)

It appears to me that this question will be decided in the minds of lay-men and by this House generally, upon quite other grounds than the legal points which have been urged on both sides so ably by various hon. and learned Members.

I frankly confess, Sir, and I was not less surprised than delighted to hear what a good case for the legal consistency and justice of the principle of this Bill could be made by my hon. and learned friend the Member for the Denbigh District. I confess, Sir, when I voted for the principle of Clause 4, in the last Parliament and promised to vote for it again, I believed it was as anomalous and illogical, and in form as unjust as Professor Dicey himself declares it to be. But I voted for it and most honestly and willingly will I vote for it again. I believed it would do substantial justice, and as for logic and consistency in English law and the English Constitution one anomaly more or less does not matter much. A Trade Union may be placed outside of any systematic classification—like Mr. Plunkett who belongs to the Plunkett category—it may belong to a new category, a Trades Unions category—if that is necessary I do not believe that any of the doubtful consequences etc. will follow.

The reason which induces me to risk this dreadful departure from a pedantic consistency is a solid practical reason, which appears never to enter into the heads and certainly never enters into the arguments of the legal controversialists. It is this—that the very existence of the great Trade Unions is involved in the passing of this clause. It is quite true that since the Taff Vale decision the great Trade Unions have kept up their organisation and their membership—but this has only been because they believed that the new Parliament would at once restore to them their former status. If they were once convinced that Parliament would refuse and continue to refuse this demand, I have no doubt the greater Unions would gradually or more probably formally and quickly dissolve. It is not reasonable to expect men who have painfully, penny by penny, and shilling by shilling, accumulated a great fund—will risk the loss of twenty odd thousands of pounds one day, and a hundred thousand another day, by a rash act of some distant and unknown man.

The great Unions have waited for this thing—call it boon, call it act of justice—as it pleases you, and for it they are waiting now, with confidence, because it is necessary to their existence. If it were to be finally barred to them in my opinion they would be destroyed.

We have to consider if we succeed in destroying the great Trade Unions, what will take the place of them. The general public, political and social object which they advocate and for which they formally and collectively work, will be pursued by other means and by other organizations. The enormous political force of the Trade Unions would undoubtedly be transferred

almost "en masse" to the extreme Socialistic Organisations. Is that a consummation wished by those who oppose this clause? It is said quite truly the recent legal decisions have made it impossible to conduct a strike legally and disastrous to do it illegally, and many employers who cannot look very far ahead, and have to do with the men who are members of the great Unions, are vastly delighted. I should like to ask those men and the House if for a moment they think that strikes will therefore cease in the land. I hope the day may come and come soon, when strikes may cease, but they will never cease by means of legislation directed against the striker. In my opinion just as the political action and influence of the great Trade Unions will not be annihilated by their destruction but transferred to other and far more subversive organisations, so their striking action will be transferred from the great responsible Union to numerous small Unions in the impregnable position of having no funds to seize. Does anyone in this House imagine this will be a better day for employers, or workmen, or the country. Does anyone imagine strikes will be fewer, or methods gentler? I myself am an employer, and I speak as an employer and not as a lawyer. I employ men of numerous classes and in different places, some of these classes are those represented by the great Unions others are not. With the men of the large Unions my firm has never had a serious dispute. But it would be incorrect for me to claim that we have never had a dispute culminating in a strike in our time. But these strikes have not been made by the men connected with the great Unions, but either by entirely unorganised men or by men belonging to a small Union, without either funds or much sense

of responsibility—I prefer the big Union. I consider the great Trade Unions form one of the most important, valuable, powerful and beneficent elements in our national life, and I regard their existence as more important than the symmetry of the law regarding “Actions of Toil.”

COMPULSORY ARBITRATION

(HOUSE OF COMMONS)

THE most striking feature in the settlement of the coal strike of 1912 is that it has been accomplished on terms equally distasteful to the employers and unsatisfactory to the majority of the men. Yet it has been settled. The employers were perfectly conscious of their ability to carry on the struggle indefinitely, and the men showed by their first votes that there was no consciousness on their part of being beaten. Yet it has been settled.

This event, following the similar and rapid settlement of the Railway Strike, in which, though legislative interference did not take place, it was threatened, marks the beginning of interposition by the whole community in its own interest, and for its own preservation in sectional disputes between capital and labour. I am inclined to think there was no exaggeration in the language of Mr. Balfour when he called this a "colossal revolution." The Minimum Wage Act did not enforce, it was not intended to enforce, but only to facilitate a settlement, but the fact of such an Act being demanded and passed expressed a national determination that this strike should not continue. It was the overwhelming public interest and the constitutional expression of the

public will by an Act of Parliament which has arrested this strike in mid-career, and not the exhaustion, as has been the case in previous strikes in the coal fields, of either party. The unwilling assent of the employers to the principle of a minimum wage of which they disapproved, was undoubtedly conceded under a sense, not of weakness as against the men, but of weakness in the face of an irresistible public demand. The pacific councils of the miners' leaders after the passing of the Act, and the final vote of the delegates, were equally undoubtedly due to a sense of the force of the public pressure; and the final vote of the delegates for peace was an endorsement of their leaders' decision, and not an acknowledgment of defeat.

The situation is one of great interest. It appears to me to mark the gradual realisation by the public that it is their interests which are the sport of sectional trade disputes; that they are the principal victims, and a semi-conscious resolution that they must have if not a veto, a voice in the settlement. It is tolerably clear that the force of the public intervention, irresistible as it has proved to be when brought into operation, cannot be continually invoked and put into action by social convulsions and special Acts of Parliament; and that some regular and constitutional means of giving effect to it must be found.

This can only be in the end some form of compulsory Arbitration, if not of universal operation, at any rate applicable to those great industries upon which the whole activities of the nation depend. Compulsory Arbitration is a thing at present repudiated and condemned equally by employers and employed in England. There seems to be a conspiracy on both sides to represent the

experiments which have been made in this direction in our Colonies as failures. I am not qualified to judge in the controversy between Mr. Pember Reeves and Mr. J. M. Robertson, Mr. Ramsay Macdonald and others who attack the kind of legislation which is associated with his name. But the broad facts remain uncontested—that in New Zealand this legislation has been in force for seventeen years, and no one on either side ventures, or apparently wishes to repeal it. That the example of New Zealand has been followed by New South Wales and South Australia very closely, and by Victoria and Queensland partially, does not seem to me evidence of failure. That the experience of these separate Colonies has led to the establishment of an inter-colonial Compulsory Arbitration Law for the Commonwealth, does not seem to me to be evidence of any consciousness of failure on the spot.

But even if the success of the kind of legislation which embodies the supremacy of the public interest over sectional interests in trade disputes has been only a mitigated and partial success in Australia and New Zealand, I would ask whether that is sufficient reason to refuse even to consider such legislation for this country. Those who oppose it insist upon the differences between our ancient and complete industrial system, and the new small and independent industries of these Colonies, as a sufficient reason for refusing to accept Australian experience as any appropriate example to us. I would ask whether these very differences do not constitute arguments for regarding such a system as we are considering both more and not less necessary for such a community as our own, and this country as a more and not less suitable field for its operation. In a scattered

population chiefly engaged in agriculture no possible strike could bring all industry to a standstill, and threaten the very lives of the people unconnected with the dispute as it can do in this country. In the Australian Colonies a fight to a finish in any industrial dispute, except in the railways which they have specially provided for, would cause a comparatively slight inconvenience to all who were not immediately engaged in it. The whole case for State interference with industrial liberty is comparatively weak. In England our great industries form one complex organism. They must move together or cease to move together. We all depend upon our coal, we all depend upon our railways, we all depend upon our transport workers, we all depend upon our shipping, as much as if we all were directly engaged in these great industries, and they depend ever from day to day upon each other. The case for some recognised and regulated public control is overwhelmingly stronger here than in Australia and New Zealand.

It is the awakening consciousness of the vital interest of the whole individual body in the working of each of its vital organs which has brought public opinion, though unorganised and unregulated, to bear with effect upon the two great trade disputes of the past year. The question which it would be well to consider is whether the time has not arrived for this force to be regulated and organised.

The assumption of employers that any advance of wages, or increase in the costs of production caused by legislation, must come out of the profits of the capital employed in the trade, and their protests that their business will be crushed by this or that additional burden put upon it, are instinctive, and this instinct is

economically useful to the community at large, to which of course it is advantageous that the cost of every article it consumes should be kept down. But it is usually based on an illusion. When these new obligations do not result in an increase of efficiency, they generally result in a more than proportionate increase in price. It is commonly said by coal owners that a minimum wage will result in the closing of the older collieries which are more costly to work. The same thing was said of the Eight Hours Act and of every Mines Regulation Act which Parliament has passed.

Experience shows that the production of coal and the profits of those engaged in producing it are regulated, not by a penny or two more or less in cost per ton, but by much wider laws. The price of coal oscillates in waves of wide periodicity round the point necessary, at any particular time, to keep the marginal pits alive. After a succession of bad years these struggling collieries may cease to be worked. In good times they are reopened either by their former proprietors, or if these have disappeared, by some new organisation on a new basis of capital and royalties. In one way or another the coal gets worked and is not finally lost to the country. I do not think it is possible to point to any area of any seam formerly worked which has finally been abandoned until the available coal has been exhausted.

If colliery owners and other employers were once to realise how slightly their own personal interests may be affected by the rate of wages they pay, it might even be more necessary than ever to establish National Compulsory Arbitration in order to frustrate collusive movements of employers and men against the public welfare.

1914—THE RADICAL TRIUMPH

(SOUTH SHIELDS)

I HAVE come down to you straight from the House of Commons. On Monday the crown was put to the edifice, which some of us have worked for thirty years to erect. The Home Rule Bill finally left the House of Commons, passed for the last time by steady majorities through all its stages. Our weary task is at last accomplished and you can well understand that coming fresh from its accomplishment, I can speak of nothing else, until I have delivered my soul on this matter, and given my account to you, to whom I am responsible for what I have done in your name, and what those with whom I act, and those whom I follow have done. The Home Rule Bill has now to wait the legal month in the House of Lords. But, for the first time, a Liberal Bill has passed the doors of that House, not as a humble petitioner, a sort of prisoner at the Bar, to be tried and sentenced to capital punishment, but as an ultimatum to be accepted if they like, to be enforced if they don't like. We don't care which ; it will make no difference to the Bill, it will become an Act of Parliament all the same before this Session closes.

That is the dominating fact in the situation. It is in the light of this great fact, that the situation must

be judged, and it entirely alters the situation. What might be tolerated, what might be ignored in those who were resisting the making of a law, cannot be tolerated or ignored in those who are resisting what will, in a time to be counted by days, be the law of the land.

Many of us have been impatient at the patience of the Government. We have felt its meekness in bearing the "contradiction of sinners" had passed even the gospel standard, both in and out of the House of Commons.

In the Ulster matter I venture to think a vital error was committed when the Ulster Volunteers were first permitted to organise, but in the present situation, strained and dangerous as it is, I have at present one policy and that I recommend to you. It is to trust the Prime Minister, now he has taken the management of affairs into his own hands. You remember that three years ago, the party was in a state of discontent almost of revolt against the Prime Minister, on the subject of his management of the Parliament Act, but the party was wrong, Mr. Asquith was right, and he won every point in that game and carried through that constitutional revolution in the end, without conceding a jot or tittle of the Bill.

Personally I trusted him then and I trust him now. In personal command of both the forces of Parliament and the forces of the crown, I have confidence in his judgment to use both with discretion, with effect, and with success.

In Parliament we have had to meet men face to face and listen to their defiance and insults, whose conduct and language seem to have no other object than the degradation of Parliament and public life.

Reason, argument, oratory, even a dignified rhetoric or telling invective seem to be lost Parliamentary arts on the Tory side.

Their present weapons are personal slander, conspiracy and flat rebellion. I try to enter into the Tory mind, to explore it, to understand it, if I can. I have a sufficient streak of natural Toryism in my composition to feel some respect and some sympathy with the old Tory Party, the party of Church and State, King and Constitution, Law and Order. That I can understand. That, if you did not let it get the upper hand altogether was an ornamental, dignified and even a valuable element in the State. But where is it to be found to-day? It may exist in remote corners of the land, lamenting a vanished past. I see some scattered remnants of it in quiet, sad eyes, and mostly silent members of both Houses. And who are the successors of the respectable Tory leaders who led the victorious Tory hosts even so late as the time I first entered the House of Commons? Who are the successors of the Salisburys, The Devonshires, the Goschens, the Hicks-Beaches? A gang of blatant anarchists, led by Mr. Bonar Law and Mr. F. E. Smith.

The degradation of the party, begun by Mr. Chamberlain, has been completed by Mr. Bonar Law—the first vulgarised it by Tariff Reform, the last has brutalised it by his personal leadership. When he succeeded Mr. Balfour to the leadership of the party, he announced that there would be “no more compliments,” that “the gloves were off.” We have no objection to take all the punishment Mr. Bonar Law’s naked fist can give, but we wish he could keep his hands clean, now that he wears no gloves.

The leadership of passion and the policy of hate is entirely incompatible with sanity, and the exhibition the party made of themselves last Thursday in the House of Commons, marks the lowest depths of suicidal mania to which the Tory party have hitherto descended. If they wished to make business impossible and to bring the House of Commons into contempt, the merest instinct of combat would have taught them at least to find some pretext to quarrel with *us*. Instead of doing this, they shouted down one of their own front bench men, and their leader chose to use the opportunity to insult the Speaker. When we have to deal with a frenzy of "envy, hatred and malice," it is fortunate that this should be coupled with an unexampled display of political imbecility. I ask you—is it possible to conceive that this sober English nation will commit its destinies into such hands?

But all this is a passing phenomenon, a painful and disgusting phase of our political life. We have to look to the realities, behind this froth and effervescence.

The first and main reality is that the Home Rule Bill is passed, and the second is that we have agreed to give Ulster, a part of Ulster, the option of separate treatment for a limited time, and that we shall bring in an Amending Bill for that purpose.

Now, we frankly confess, we don't think this Amending Bill is an improvement on the Irish Bill at all. It is a concession to Ulster and to peace. It is for peace and for peace only that Mr. Redmond and the Irish party have assented to the principle of it. We all see, and Mr. Redmond sees more clearly than we do, what a calamity it would be, if an Irish Parliament were to begin its career with strife and perhaps blood-

shed. Therefore we have made this offer ; we have also made another offer which should have satisfied any honest apprehensions, however unfounded.

We have offered, in addition to all the safeguards of the Bill, Home Rule within Home Rule for Ulster. As I understand this, it means that no law of the Irish Parliament would be operative within the Ulster area without the consent of its members. It means that its administration would be outside the control of Ministers in Dublin. This is the solution, favoured by Mr. Asquith and by Mr. Redmond and the Irish party. But Sir Edward Carson and the English Unionists will have none of it. They demand the clean cut of Ulster from the rest of Ireland. So we have unwillingly made the offer of the optional exclusion of the counties of Ulster from the control of the Irish Parliament for six years. This immense concession is the offer which Sir Edward Carson designates " a hypocritical sham." It is still open to the Unionists in England and in Ireland to accept either offer, but the sands are running out and the alternative is the Bill as it stands, the Home Rule Act of Parliament as it will stand in a few weeks, unaltered and unamended.

From all I can learn from Ireland, and I have heard a good deal, I believe the Ulstermen if left to themselves would infinitely prefer what we prefer, Home Rule within Home Rule, to any form of exclusion. The demand for exclusion never came from Ulster itself. It came from the English Unionists and from Sir Edward Carson. I have been told by Ulster Unionists of influence that they deeply resent the position into which they have been forced, without being consulted, by English Unionists, who have used them as counters

for their own party ends. The English Tories have never wished for a peaceful settlement. They have played for disturbance, and hoped that confusion and strife might destroy a Government which they hate, upon quite other grounds than their Irish policy.

I believe the English Tories have made a profound miscalculation in putting all their money on the Ulster horse. England is sick of the Home Rule quarrel, and its one wish is to have done with it.

In all the elections which have taken place since the end of the last session of Parliament, in spite of the frenzied appeals on behalf of Ulster, what have been the results? Owing to the unhappy divisions of the progressive and Home Rule votes, these results have been somewhat annoying to the Liberal party, but one thing they have shewn and shewn conclusively and that is a large increase in the total Home Rule Vote.

And this consideration gives us confidence in the course we have pursued in resolutely carrying through our Home Rule Bill.

It shews the final decision of the nation on a question to which the people have given more thought for a longer period than to any other subject of Parliamentary and national controversy and upon which the English people have been more slow to make up their minds. But if the English mind is slow, it is sure. Violence is the mark not of a doubtful cause, it is the mark of a lost cause.

The die-hards may bluster and "rage furiously together," but they desire a "vain thing." And what is a die-hard, what does die-hard mean? It means a dying man after all, but one who refuses to die with dignity.

And this clearly expressed opinion of the English people encourages me to be rash enough to make, not a forecast but a speculation as to the immediate future. I indicate what appears to me to be a possibility. I give it only as a guess, but a guess which the sobering effect of facts accomplished may make a reality.

1. I assume as a certainty that the Government Amending Bill will be introduced into the House of Lords.

2. I assume as almost a certainty that it will contain the offer already made, the optional exclusion of the counties of Ulster for the term of six years and practically no more than that. For my part, I hope it will go no further. This is a compromise we don't like, the Prime Minister confesses he does not like it, the Irish Nationalists don't like it, although they have agreed to it, that Ulster does not like and has never asked for it, but it is on the lines the English Tories and Sir Edward Carson have demanded.

3. I assume, as a probability, judging from the present temper of the Tory party, the Lords will reject the Amending Bill.

What is to follow? I hope and believe a time of reflection. A debauch usually produces a reaction. A glorious spree does not feel so glorious next morning. When this session is over and the Tories have gone to their various homes to get sober, what will be the result of their stock-taking of the results of the Session, what the balance of profit or loss from their violence? The Home Rule Bill will be the law, the too generous Amending Bill will, on my assumption, have been rejected. There will still be for them one last chance. There will be an interval of about eight months before the

Appointed Day when the Act comes into operation. There will be another interval of four months before the Irish Parliament assembles, and during these intervals the Imperial Parliament will meet again. If they will then accept with sincerity and good will, the real amending Act which the Prime Minister has told them he would prefer to give, which Mr. Redmond and the Irish Nationalists would prefer to give, Home Rule for Ulster within and not outside of Home Rule for Ireland, it will be still open to them to have it. This solution, I will not venture to say, is my prophecy or forecast. But it is a solution within reach, and it is my fervent hope it will be accepted and realised.

Ireland for the moment fills the political stage, the situation is dramatic, it is exciting, it is even dangerous. But after all Irish Home Rule is not the only question in the world. Important as it is to Ireland, to us it is not a big question. It is not the question, which even at this crisis, wins or loses elections.

We have a much bigger job on hand than the local government of Ireland, we have the social reconstruction of England.

1914—THE CONDITION OF ENGLAND

(SOUTH SHIELDS)

No easier and happier task can fall to any man than falls to a Liberal Member of Parliament, who is a real Liberal—whose heart is liberal as well as his votes—than that of meeting his constituents, and especially a constituency of workers, such as that of South Shields, which I am proud to call my constituency, at the present time.

There are those who say—certain Members of Parliament who have come down to South Shields have said, that there is no difference between a Liberal and a Tory, they are alike bad. There is one quality in these men I admire, and that is their courage; they do not believe what they are saying, and they know that no man, woman or child who hears them, believes it, and yet they have the courage to say it. These critics sometimes add that all that the Liberal party have done in the way of progress has been at the instigation and even under the compulsion of the Labour party, and in most cases against their own will. This contention is just as true, that is, it is just as false as the other, and both could not be true, they are mutually destructive. The Liberals could not be, at one time, “as bad as the Tories,” and the obedient although unwilling slaves of the Labour

party. Let us give to both parties, Liberal and Labour, their fair share of the credit for what has been done, the great achievements of the last eight years.

When the Liberal party came into power in 1906, there were arrears of labour legislation claiming a settlement. They were the demands of labour as such, they were demands the labour organizations and leaders as such, had formulated, they were demands which had been made year after year in vain to the Tory Government and Tory House of Commons. The chief of these were the Trades Disputes Bill, a measure absolutely necessary to Trades Unions after the Taff Vale and other decisions of the Courts of Law;—the extension of the Workmen's Compensation Act, which brought six millions under the protection of compensation, and the Eight Hours Bill. These all became law in the first two years of Liberal control.

Since that time, we have had one or two measures of some importance, the Minimum Wage Act (Miners) being the chief. The first impulse for these measures came from the organisations of labour, the formulation of these demands from them.

These were Government measures, but I do not think we should have got these measures, at any rate not so soon, and not in so complete a form, but for the existence, and activity and determination of the Labour party in the House of Commons. The existence of a certain independent section of the House, primarily devoted and pledged to the care of labour interests as such, has justified itself in my opinion abundantly.

But if there were arrears, long neglected arrears of labour legislation, when the great revolution of 1906 occurred, there were also long arrears of Liberal demands

to satisfy, such as Education Reform, Licensing Reform, Irish Home Rule, Welsh Disestablishment, One Man One Vote. It was these things which brought us up dead against the House of Lords, and it is only after we have shattered that stronghold of hereditary privilege and prejudice that we are at last beginning laboriously to gather the fruits of eight years' conflict.

In all this liberal work, we have had the alliance and co-operation of the labour members, not because these were labour members—these things had nothing to do with labour as such—but because outside the narrow circle of matters connected with employment, they had other and more and larger interests as men, as fathers and husbands and sons, as good British citizens. They found themselves members of an assembly which had charge and supreme control over all the infinitely great and innumerable affairs which make up the complicated lives of the forty-five millions of the people of these islands; and still more complete control over the vast interests of the hundreds of millions of subject races who do not and at present cannot govern themselves. They found themselves charged with immense social and national and imperial responsibilities. And in these circumstances they acted as intelligent Englishmen and according to their conscientious convictions. They ranged themselves with the Liberal members; they voted steadily with the Liberal party. Why? Because they were liberals in nature and conviction, whatever they might call themselves.

This is the position inside the House of Commons, and it is visible to everyone, not only inside but outside. For any man who spends his days and his nights working with us, on our Committees, speaking with us in the

House, voting with us in our lobby, to go about and pretend he considers one party the same as the other, is not only to condemn his whole parliamentary action, but either to bring his judgment into contempt, or his sincerity into doubt.

I have spoken of the various measures, whether strictly labour sectional measures, or general national liberal measures, in which we have worked together, but after all, important as they are, they are simply the political questions of the day. Behind them all and towering above them all stood a greater, a more pressing and a more threatening and a more continuing question, the Condition of England question, and a greater task than any or all of them, the task of making a new England for the masses of the English people.

In 1906, the Liberal Party and the Liberal Ministry took charge of an England, which we were proud to call the richest country in the world. As regards wealth realised and invested at home and abroad, it stood an easy first, it had the largest foreign commerce in the world, it had a mercantile marine equal to the whole mercantile fleet of all other nations put together, it had and has the finest industrial population in the world and the highest industrial product per head, it was the centre of the world's finance. England presented the most inspiring subject for the patriotic orator.

Free Trade and free competition had certainly produced wealth.

But what was it all worth to most of the forty-five millions of people? How much did they get out of it?

I do not wish to draw any heartrending picture of poverty and suffering on the one hand, contrasted with wealth and luxury on the other, for after all unsatis-

factory and unjust as our civilisation had proved to the poor and the worker, at any rate the worker here was better off, both as regards wages, hours and prices than those of other countries. But without working up any indignation, or apportioning any share of blame, it is undeniable that while wealth and luxury are visibly and ostentatiously increasing, the destitution of the helpless poor remained practically untouched and the condition of the working poor improved at a far slower rate.

To state these simple facts, without any strong language, is to utter a condemnation of our social order as it existed in 1906.

On one hand was abounding national wealth, increasing more rapidly than ever. Roughly speaking, Sir George Paish calculates the wealth and income of Great Britain was doubling every thirty years. But it was not being fairly distributed. The income of the income tax payer had increased by more than 200 millions in ten years. Now the income tax payers with their families number only some five or six millions, that is about an eighth of the population and they enjoyed about half the income of the country.

On the other hand, about one third of the people had not a sufficient income for the merest necessities of health and decency, without thinking of any extra comfort or luxury or pleasure.

And between them stood the mass of the employed working classes, more or less skilled, not only receiving an inadequate share of the good things of this life, but perfectly aware of this fact and determined to alter it.

This was the position in 1906, when the Liberal Party got the power into their hands. No party in the State

defended it. It demanded a remedy, and every party in the State had its remedy to propose.

The Tory party had done nothing but it had its remedy ready—Tariff Reform. This was to give wealth by taxation, increased employment by decreased foreign trade, cheapness by decreasing our supplies of food. The country was wise enough to see that this remedy was not calculated to cure but to aggravate the disease and they had rejected it.

The Socialists had their remedy. It was a theory, a vision, it was to nationalise all land, capital and the instruments of production. I have given my reasons for thinking it is not a real remedy or the best remedy, and at any rate, it is a dream rather than a policy for here and now. *We* wanted action and action at once for the benefit of those now living. The Liberals also had a policy, and their policy was to make a beginning, to attack the problem of poverty, destitution and the terrible risks and uncertainty in the lives of the poor, here and now.

There were people and there are people now, who say “let things alone, they will right themselves.” Leave it all to demand and supply of labour and the action of the Trades Unions to enforce the demands of labour for its fair share. Now Trade Unions are all very well, they have done much, especially during the last two years, and they will do more to raise wages. But the workers will never get their fair share in the prosperous life of the country in the shape of wages alone. They must have the increased wages and something more. I will tell you why. The wage earners can only get any advances in wages immediately out of one class, the class of employers. The employers are a class of industrious

capitalists who work with their own capital and a great deal of the capital of other people who don't work. The idle capitalists are the landlords, the bankers and financiers, the debenture holders, the preference shareholders. These people own most of the wealth of the country. They don't work as the working capitalist works and they won't take his risks.

You don't get at these people by asking for higher wages and getting them. The employer may give the higher wages and he may be able to pass the burden on by getting higher prices from the consumers. But he may not, in these days of home and foreign competition, and he may go under. But he cannot pass the risk on to his debenture holders, his preference shareholders, his banker who discounts his bills. These people demand their pound of flesh. So you see however much the workers may squeeze out of their employers, they cannot get their fair share of the prosperity of the country out of them alone. They must touch the great mass of the realised wealth of the country which is behind the employers. The Trades Unions cannot get even into touch with the owners of the realised wealth. But the Government can.

So you see to do anything to make conditions of living more equal, you need both Trades Union action on employers and Government action on the taxation and distribution of realised wealth.

It was with this great idea in his mind, the idea of making every English man and woman and child a sharer in England's wealth that Mr. Asquith, while he was Chancellor of the Exchequer, conceived and laid the foundation of the Old Age Pension scheme—a plan which Mr. Lloyd George carried out when he

succeeded Mr. Asquith as Chancellor of the Exchequer. The Old Age Pension system, as you know, was only the first of a series of measures, some already accomplished and some already in preparation, which together we call Social Reform.

I want you to realise that Social Reform requires and has produced a new kind of taxation. Before we began with Old Age Pensions the Government and Parliament taxed the people for three things ;—

1. To pay the interest and sinking fund of the Old National Debt, which the folly of our fathers had saddled us with.

2. For the cost of Army and Navy, which might be necessary but is entirely unproductive, all waste.

3. For the cost of useful services, such as the administration of justice and education.

But this is true of all this taxation alike, the Government got the money and spent it all ; the people found the money and never saw it again.

But taxation for Old Age Pensions and National Insurance is a very different thing. It is not taxation at all in the old sense, it is just redistribution. What it takes from one tax-payer in cash, it gives back to another tax-payer in cash. It takes five shillings out of my pocket and puts it into the pocket of some old man or woman. The country is no poorer for this kind of taxation. The five shillings remains in the pockets of the people, but in a different pocket, and it will be spent to better purpose in the new pocket than in the old one. The same is true of sick benefit and Social Reform expenditure generally. It is a new taxation, which is not really taxation in the old sense, but a redistribution of wealth.

It is giving every man, woman and child in the country a personal share in the prosperity and accumulated wealth of the country as far as it has gone. And now let us see how far it has gone.

Old Age Pensions cost £12,700,000 per year. That means that some 2,500 old persons in South Shields drew as their rightful income some £42,000 a year from the wealth of the country.

Now take Insurance, both of Health and against Unemployment.

As you know I have been an enthusiastic supporter of the Insurance Act from the beginning and I am glad to say I found it no disadvantage to me here. I am proud to say that in South Shields, I never discovered that the Act was unpopular, as I am told it was in many places and still is in some. The explanation is that South Shields is an exceptionally intelligent constituency. The people here understood insurance, they are nearly all members of Trades Unions and Friendly Societies or both and they were able to appreciate a good bargain when it is offered.

Take Health Insurance. Taxes found last year £7,288,000 and next year by the new budget, Mr. Lloyd George means to get two millions more out of the public purse for insurance against sickness.

What does this work out for South Shields. It means that over £30,000 a year is taken out of the pockets of the wealth of the country and put into the pockets of the sick and needy in this town. Remember this is only the National contribution. I am not counting the contributions of the insured persons, or of the employers at all.

The proper proportion of South Shields of the cash

already accumulated in the hands of the Commissioners for Health Insurance, is now considerably more than £50,000.

And our share of the three millions already in reserve to pay the seven shillings per week to the insured unemployed when trade falls off is something like £10,000.

Consider what all this means. It means twenty-three millions a year, of this new kind of taxation, not taxes taken out of the pockets of the taxpayer for the Government to spend, but cash taken out of the pockets of certain classes of well-to-do people and put back in cash into the pockets of other people who need it more.

I remember reading a complaint in the *Times* that these two services had placed a new burden on the country equal to another National Debt. He was right in saying they had placed a burden equal to the National Debt and considerably more. But he was wrong in saying this burden was placed on the *Country*. It has been placed on one portion of the community to ease the burden on another portion. It has been placed upon the wealth and enterprise of the country to relieve the poor, the sick and the old. What one class pays, the other class gets, and the country as a whole is neither richer nor poorer in cash. But it is much richer in well-being and happiness. The writer in the *Times* understated the amount of the burden. It is greater than that of the national debt. The interest on the national debt is just about twenty millions. The cost of Old Age Pensions and the Nation's contribution to National Insurance is twenty-three millions, or equivalent to the interest on a National debt of 100 millions more than ours is at present. It is in effect

a new national debt of 800 millions sterling. It is equal to a mortgage of that amount placed on the wealth, enterprise and activities of the country for the benefit of the sick and the old.

No one henceforth can hold property, or exercise his business in England without finding his share of that twenty-three millions every year. It is not the destruction of property ; it is not the creation of property. It is a vast transfer of wealth in the shape of a first charge on the wealth of the country for the common people.

But I am not at the end of my story of the endowment of the worker and of the poor out of the National estate by the Liberal party. Far from it. I have only spoken so far of what has been raised by taxation and paid out again in cash by the State. This taxation has been put on the backs of the rich as rich. We have also tackled the employers as employers. In addition to the sums I have mentioned, the employers are compelled to provide six millions more a year for Health Insurance, and well on for one and a quarter millions for Unemployment Insurance. I do not know what this costs the employers of South Shields, for in this town, there is a greater proportion of insured persons of both classes than the general proportions in the country. I can only guess, and I believe I am guessing a good deal too low when I put the contribution of the employers of this town at £500 every week and this in addition to what they pay as tax-payers. But we have not done with the employers yet. You must remember one of the first Acts we passed in 1906 was the Workmen's Compensation Act, which gave this protection to six millions of working men and women of all kinds. It is impossible

to calculate what this is worth in cash, but if I may judge what it costs me as an employer, I think I am putting it low, when I name fifteen to twenty millions as a probable sum.

Let me sum it up. These things I have enumerated added together mean the enormous sum of more than forty millions of pounds a year in actual cash, are taken by taxation from the owners of the wealth and the directors of the enterprise of the country and paid into the pockets of the wage earning classes.

This means that the workers are now large capitalists. They have virtually a mortgage, a secured first charge on the wealth and activities of the nation, of double the amount of the National Debt. This is now their estate from which they draw their dividends, entirely apart from and in addition to the wages they receive from their work.

At the beginning of my speech, I put before you the problem of the Condition of England as it existed in 1906. I stated the Tory quack and fraudulent remedy, Tariff Reform. I stated the Socialist remedy, a fundamental revolution in the economic basis of society and I will add of human nature, to be effected some day in a future which is admitted to be remote. You chose to try the Liberal remedy which was not theoretical or doubtful or distant, but was practically to attack in detail and at once. I have given you some account of our progress so far, and I ask you if you were wrong in your choice. Is not the England of 1914 a better England for the mass of the people who live and work in England, from the new-born infant, who brings with him his little endowment of thirty shillings, to the old man and woman, who in their declining years draw with

self-respect their own weekly dividend from their own National estate. This change is the result of the eight years of Liberal control in this land. The various measures we have considered were devised in the brains of Liberal statesmen, they took their form and were passed into law, by the labours for weeks and months and years, by day and night, of liberal members of Parliament—and this is the account I have to lay before you.

The time is approaching when we shall lay down our charge, the responsibility you put upon us. Our record is before you and you will judge us. I do not ask and I do not expect our past however creditable will alone suffice to secure a renewal of your mandate. Your eyes are and ought to be on the future. The Condition of England problem, though somewhat lightened is still the great task.

Housing in town and country, land, and the regeneration of rural life, with all its reactions on life and labour in towns lie immediately in front of us. But a record such as the Liberal Party can shew, of pledges fulfilled and more than fulfilled in the past, is some guarantee that to them you may safely commit these equally great problems of the immediate future.

1914—THE COMING OF THE WAR

(SOUTH SHIELDS)

I COME before you to-night as the man who happens in this crisis to be the Member for South Shields. I do not come as a Liberal Member, or a Unionist Member, or as a Labour Member, but as the present Member for the Borough. In the business of this war, I represent you all, and I have in common with every other Member of the House of Commons undertaken vast responsibilities on your behalf, of which neither you nor I had any idea when I became your representative.

These responsibilities have been undertaken rapidly but not recklessly and they have been undertaken unanimously.

This has never happened in the case of any war before. In the Crimean war the great voices of Cobden and Bright were loud in protest. In the South African war there were many who doubted and some who condemned. To-day there is only one voice, there is only one grim and firm determination—to fight and to fight to the end, and to a victorious end. Why is there this unexampled unanimity, this unparalleled strength of resolution? It is because we are so clearly in the right that no one can have any doubt about it. We have taken up the sword and thrown away the scabbard, as

a grim and tragic but an imperative duty, felt by all parties alike and equally.

Let me quote, not my own party, but the leaders of opinion which is not always favourable to the present Government. Lord Lansdowne has said—"We embark on this tremendous contest with no sinister ambition, no unavowable motives, with a clear conscience and with clean hands." Mr Bonar Law has said, "this war is due to human folly and human wickedness, but neither the folly nor the wickedness is here." The Parliamentary Committee of the Labour Party, the most authoritative voice of organised labour in the country has said that the cause for which we have to endure pain and poverty and danger is the cause of freedom and the cause of democracy. The nation speaks with one voice. A month ago we entered into this war to redeem our pledged word, to maintain the independence and existence of Belgium and to secure that Europe shall be governed by public law and not by brute force. Our motive was high and disinterested. But many things have happened during the last month. We now see all too clearly that in fighting for the existence and independence of Belgium, we are fighting for our own existence and independence, against a military power greater than the most clear sighted among us had properly estimated and an ambition that had embraced our own ruin as an Empire and the ending of our supremacy on the seas in the orbit of its schemes.

Let us say a few words on both these points. First, our justification for embarking on this war a month ago; and Second, the vindication of that action the events of the last month has supplied.

How clearly we see now that if we had stood outside,

if we had allowed Belgium to be overrun and France to be crushed and dismembered, we should have been, not only forever disgraced, but we should also have been the next victim.

The White Paper which many of you have read gives the original dispatches, letters and telegrams which passed between the Ministers and the Ambassadors of all the powers concerned, verbatim, unabridged, and without note or comment. It takes no sides. Each man speaks for himself. We can all form an independent judgment. Can anyone read these documents without coming to these conclusions, that the Emperor of Germany and the military caste, which under him rule the German people, meant to have this war and to have it now, that Austria was her willing accomplice, her tool and now happily her victim? The forty-eight hour ultimatum to Serbia was the match they applied to light this conflagration. They knew that Russia could no more abandon Serbia than we could abandon Belgium. They knew that Russia had already once plunged into a war to prevent Serbia being crushed by the Turks. They knew that the ultimatum to Serbia was in effect an ultimatum to Russia. No one can read these papers without seeing how Russia strove to keep the peace, how she forced Serbia to humble herself and bow to the storm, to accept nine tenths of the hated conditions imposed, to accept everything but the loss of her own government in her own country. And only when Russia saw that war and not agreement was meant did she give the order to mobilise her army. Then Germany declared war on Russia and accompanied this with a lightning attack on France and the invasion of Luxemburg and Belgium.

No one can read these documents without being filled with admiration for the courageous, patient, persistent manner in which Sir Edward Grey struggled to bring all parties to accord, never losing hope, and never ceasing until the last moment of the last hour, when affairs passed out of the hands of the diplomatists into the hands of the disposer of battles.

One thing also is clear from these papers. To the last Germany did not expect that England would fight. The Germans never tire of telling themselves that we are a decadent nation, that we are on the down grade, that our Empire is a house of cards. Give it a shake and it will fall to pieces. They expected us to shirk our obligations and save our own skin, they expected us to talk big and do nothing. They remembered Bismarck's sneering epigram, "Speech is silver and silence gold, but to speak and not to do is Britannia metal." The Germans have made many miscalculations but perhaps this is the biggest. The only part of these papers I read with satisfaction is the last in which our Ambassador describes how the Imperial Chancellor shewed his genuine consternation and the Emperor his ugliest temper at the unexpected discovery that England meant to stand to her word.

"Are you going to war for a scrap of paper?" said the Chancellor. That scrap of paper was England's word and England's bond.

But all this is now ancient history. More than a month has passed. In this month we have learned much. We have seen the greatest instrument of barbaric might the wit and malignity of man ever forged, in relentless and for a time irresistible progress. We have seen war conducted with an unscrupulous cruelty

without example for three centuries, since the Thirty Years' War and the desolation of the Palatinate by Louis XIV. In the old wars the worst of human passions were let loose, the blood-thirsty cruelty, lust and greed of the individual soldier, which his officers generally tried to restrain. In this war still greater cruelty is not the outrage of an unbridled soldiery, it is calculated, it is cold blooded, it is imposed from above. If we have not seen a city given over to sack and pillage by a disorderly soldiery, as in the old times to which I have referred, we have seen worse. We have seen the cold-blooded shooting of non-combatants, of hostages, of women and children. They have burned Louvain and levelled it with the ground. And all this, not from frenzy, or passion or natural brutality, but from malignant Satanic policy, to break the spirit of resistance by striking terror. "Above all," said Bismarck, "you must inflict on the inhabitants of invaded towns the maximum of suffering. You must leave the people through whom you march only their eyes to weep with."

We see this mighty instrument in its march, dealing out the same stern measure of cruelty to its own men. Laws are of no account. In solid masses they go to the slaughter by the withering British fire, and must go or they would be shot down by the next victims behind.

This war and the methods of this war by Germany have been a lurid revelation to us. They have revealed to us a power far more colossal than we suspected, without conscience, without pity, and impelled by an ambition fortunately too great for even its power.

When Bismarck left as his legacy to the German people the advice, next time to "bleed France white,"

“to make it forever impossible for France to stand in the path of Germany,” we treated these sayings simply as the natural expressions of a brute nature intoxicated by success. We did not realise that by the Germans they were taken as a sacred testament to be fulfilled to the letter. We did not realise that their preparations were not only intended, but were by all military calculations adequate to fulfil it. We realise all this now and that but for an intervention by sea and land the diabolical plan might have been completely successful. Had we stood aside and allowed this to happen we should have deserved to be the next victim. A month ago we made war in defence of our honour, we see to-day we are defending our own independence, our existence, *our lives*.

The meaning of the great German fleet is now clear to us. That she was building against England was *always* clear, for who else could she be building against? Her own explanations, that it was to defend her great commerce and her little colonies, we had perforce to accept, but everyone knew, what this war has proved, that against us she cannot take the first step towards defending either the one or the other.

The truth is Germany is an inland power, with a little coast line, on an inland sea. Providence has placed between her and the ocean these large and inconvenient islands and her access to the ocean from Hamburg or Bremen must always be by our permission. Had she our fleet and we hers, we and France could always make the Channel impossible.

It was all very well for the Emperor to say “Our future is on the sea” and to call himself “the Admiral of the West,” but it was clear that Germany could never

be a great, much less the supreme ocean power unless she were to accomplish one of two preliminary tasks. She must either submerge or conquer this inconvenient island, or she must make Cherbourg and Brest German ports. Without making good one of these preliminary conditions, ocean power is not for her, and her great formidable fleet is an absurdity. These conditions were as clear to her as they are to us.

In the light of recent events, her invasion of Belgium and her rapid occupation of Northern France, is it not pretty clear that she did intend to fulfil the second, that she did not intend to relax her grip until these northern ports of France had become virtually if not nominally her own. Then at length she would be an ocean power as we are, with a very efficient nucleus of the supreme fleet she should build; probably she calculated it would be paid for by a French indemnity. It would be then too late for us to hinder; we might protest, we might fight and we might go under.

We have to thank providence that Germany's diplomacy was not so good as her political cunning and her military might, and that instead of tackling her enemies in succession she has managed so as to have them all on her hands at once.

Earlier in my speech, I said present German might and German methods are a surprise to us. The truth is this is not the Germany which fought and won the war of 1870. It is a new and a worse Germany. It was then an awakening nation conscious of its strength and struggling for its unity and full national life. Germany then had the sympathy of the world and of England at first. That was war conducted with chivalry and courtesy, with respect for non-combatants

and neutrals. In this war we meet another generation, a different people, one far gone in a relapse to barbarism. This change has not been accidental, it is not due to any natural depravity of the German people, not to any double dose of original sin. The Prussianising, that is the brutalising of the people, by the military caste, with the Emperor at their head, has been designed, deliberate and successful. Bismarck's dark, strong, stern spirit dominates to-day, as much as it did in his life. "Blood and iron" in his own words were the foundations of the Empire he made, and by "blood and iron" must its walls be cemented and extended. The Emperor was his worthy pupil and successor, the "mailed fist" was his instrument. Fourteen years ago, he said to his troops departing to China, "*Give no quarter*, let all who fall into your hands, be at your mercy. Make for yourselves a reputation like Atilla's Huns."

Morality and much more Christianity have been avowedly, deliberately, ostentatiously banished from politics and from war. "Christian morality," says General Von Bernardi, "is in its nature personal and social and in its nature cannot be political." "War," says he, "is the father of all things." "War is a biological necessity." "Might is the supreme right. War gives a biologically just decision, since its decisions rest on the very nature of things." "It is not the possessor but the victor who has the right." This is the political philosophy in which the new generations of Germans have been trained. When I read General Von Bernardi's book when it came out four years ago, I thought it to be, as most Englishmen did, a curious and extreme example of the aberrations to which the military mind

is susceptible. We all now know he was expounding not an eccentric excess but the ascendant policy—a policy which is the negation of morality and Christianity, to which human life whether of their own soldiers or of inoffending non-combatants is as dust, human rights non-existent, and as for human honour, a solemn treaty is a “scrap of paper.”

The appeal of Germany is to the Caesar of force, to this Caesar he shall go.

We denounce the law of force. We believe in inalienable human rights. But if the appeal is to be to brute force, we do not shrink even from that appeal. Our arm is not shortened that we cannot strike, nor our courage abated that we dare not strike. The new German school never tire of telling each other and the world at large that we are a decadent race, “a back number.” The modern Carthage, corrupted by prosperity and wealth which the New Rome will sweep from her place of pride on sea and land.

Well, they have had about three weeks’ experience of us, not of Sir Edward Grey’s peaceful diplomacy, but of General French and Admiral Jellicoe, with Lord Kitchener behind. I wonder if they think we are a decadent people to-day. General French has given his experience in a sober and business-like report and what does he say? “Our cavalry do as they will with the enemy until they are confronted by thrice their numbers. The German patrols simply fly before our horsemen. The German troops will not face our infantry fire, and as regards our artillery, they have never been opposed by less than three or four times their number.”

Never in our history have the primitive fighting

qualities of our race been more conspicuously displayed. As for our fleet, the peace and security of all the seas and of these inviolate islands is the evidence and proof of its unchallenged supremacy and of the skill and vigilance with which it keeps its sleepless watch. Every child who says his grace before meat should thank God and under God the British fleet for every meal he eats.

And what shall the end be ? When we took out our sword, we declared with one voice that with our two great allies, we would see this business through, and never rest until we had delivered Europe from the Prussian menace and the strain of the armed peace, little less oppressive than the state of war, which has been growing with ever increasing severity for twenty years. If ever a war was a war against war, it is this war. We believe there can be but one issue, and we are resolved there shall be but one issue, and that when we and our great allies impose our peace upon Germany, we shall impose permanent peace upon Europe and the world.

WAR TAXES AND WAR SAVINGS

(HOUSE OF COMMONS)

I

SAVING FOR THE WAR

I AM sure the Chancellor of the Exchequer must be extremely gratified at the reception with which his proposals have been met, not only in this House, but in the country generally. It is quite gratifying, and very singular, to observe how few are the people who really object to the taxation under this Budget. There are some, of course, who are ready to applaud the Prime Minister when he said that, "We have to support this War to the last ounce of our strength, to the last drop of our blood, and to the last penny in our pocket," but who raise violent and vehement protest when they are attacked in their first penny. That class has certainly not been prominent. The response to this heavy taxation has been patriotic, and generally extremely gratifying to those who have proposed it. My criticism of the Budget would be not so much a criticism of the taxes that had been imposed, but a criticism of those that have not been imposed. I rather wonder that the Chancellor of the Exchequer has not put taxes upon our various activities, as well as upon our possessions, and

Last Speech in Parliament, September 23rd, 1915.

that there are not such taxes as taxes upon advertisements and upon amusements. The old Match Tax of Mr. Robert Lowe might have been revived. It was an excellent tax, and complied with all the canons of taxation. Even the rejected Wheel and Van Tax of Mr. Goschen might have been revived. However, I accept the Chancellor of the Exchequer's explanation. He told us that the activities of his Department were limited; that they were able to carry out the taxes that he proposed, but that they were, perhaps, unequal to the task of an extended series of taxes. Nevertheless, I think we may say that his proposals are somewhat heroic.

The addition of £105,000,000 of taxation is a very considerable achievement. It is really more than that, I think. I conceive that the Chancellor of the Exchequer's estimate of the probable results of the taxation of excess profits is extremely inadequate. I think that that tax will by far exceed the estimate given by the Chancellor. The fact is that the income of this country by the War has been dislocated and re-arranged in a surprising manner. About three people out of four have had their incomes reduced, but I think the fourth man has had his income increased by much more than the other three have had theirs reduced. It is a calculation that Sir George Paish has made, and he believes that the income of this country has not been reduced by the War. When these proposals have been put before us, no doubt our first feeling is that we are being bled very heavily, and we feel, probably, poorer. We contemplate with something like consternation—at any rate, some of us do—a taxation of £380,000,000 and a dead weight debt at the end of this financial year of £2,000,000,000. I would point out, however, that the

sacrifices we are asked to make are trifling compared with those which our grandfathers were asked to make, and which they cheerfully made. A hundred years ago this country, with a population of twenty millions, against forty-seven millions to-day, had, according to an estimate by the best authorities, a realised wealth of something like £2,500,000,000. That is little more than our annual income to-day. Our realised wealth is estimated at £17,000,000,000. The income of the country a hundred years ago at the end of the great war, was probably not more than £300,000,000. We estimate our income to-day at £2,400,000,000. The comparison is more striking if we consider what the income was per head of the population in those days compared with what it is to-day. The income in 1816 per head of the population was something like £15. Before the present War the income which was the basis of our taxation in this country was something like £52 per head of the population, man, woman and child. Our grandfathers, out of their slender income of £15 per head of the population, submitted to a tax of £3 1s. per head. Our taxation was scarcely more before this War began, although our income was four times as great. We look with some alarm at the prospect of a dead-weight debt at the end of this financial year of £2,200,000,000, but that is light compared with the £895,000,000 which our grandfathers shouldered. That debt represented one-third of the total wealth of the country in those days. The weight of our debt at the beginning of this War was almost imperceptible. It was not one per cent on our income. The interest on our debt was something like three-quarters of one per cent. on the income of our country. Our grandfathers

shouldered a dead-weight annual cost of their debt representing eleven per cent. of their whole income. Our debt, as it is calculated it will be at the end of this year, namely £2,200,000,000, does not amount to one year's income. The debt that our grandfathers faced was three years' income. Take the taxation of this country as it was before the War, and remember that our taxation implied far greater results, far greater services than the taxation of a hundred years ago. It covered old age pensions, and all sorts of benefits, assistance to local education, local taxation, and other matters, but it was not seven per cent. of our income. Our grandfathers faced a taxation of twenty-five per cent. of their income. Suppose our taxation is doubled as it is now by this Budget, after all it is little more than half that—it is only fourteen per cent.—and yet our grandfathers shouldered their debt and paid their interest and paid their Sinking Fund and maintained the credit of the country, and they did it in a way, so far as the resources were concerned which put very heavy taxation on the poor.

The rich, the owners of property and large incomes, a hundred years ago escaped very lightly. Now we are putting much lighter burdens on a much stronger back. It is not only more scientific and more humane, but it is really more economic to do so. It is rather amusing to remember that when we were asked to try to arrange for a debt with a foreign country with all these enormous resources we were by some people asked for collateral security. Of course, that claim has not been pressed. It is rather curious to see how Americans shouldered their obligations in their day of distress after the war from 1861 to 1864. We must remember

that America then was not the country it is now, but, taking the North alone, it was a small country with a population of about 21,000,000, poor and undeveloped compared with what it is now. The total was estimated then at something like £2,500,000,000—that is to say, something scarcely exceeding the total estimate of our annual income. The Americans had a four years' war, and their four years' war cost them £800,000,000 sterling, and the Northern States of America shouldered far more than we are asked to shoulder. They sacrificed forty per cent. of their whole wealth in that war. Now at that rate Great Britain could go on with the present war at the present scale of expenditure for five years before they had spent forty per cent. of our wealth. There can be no doubt about it that, judging from the point of view of realised wealth, we stand not only able but abundantly able to continue this war to the exhaustion of all our enemies. But we have to remember this, that all I have said refers to a basis upon which we ought to be able to raise a debt and pay it. But this realised wealth is not wealth available for war purposes. War has to be paid for out of the articles which are produced within the year.

The time of the men engaged in the Army and Navy is this year's time. The articles which ought to be consumed are this year's production. The available wealth, the accumulated wealth, cannot be turned into such articles. So that we are brought down to the axiom which has been enforced upon us by the Prime Minister and the Chancellor of the Exchequer, that we have really in the first instance to pay for this war out of savings. Ultimately it will be paid for out of wealth, but in the beginning it must be paid for out of savings.

That is, the production of our nation must be diverted, and is being diverted, from the production of things which we want to enjoy in our ordinary and natural life to the production of things which are wanted for the War, and of course the payment of these things has to be found by taxes or by loans. I have heard in this House, criticism of the conduct of the country. They say that we are not realising this War. My hon. friend the Member for Northampton, I think, gave an example of the levity with which the people who had money were treating the War. He spoke of three young men of military age whom he met in a country hotel who were going round in their own pleasure motor cars doing nothing for the country. That is not my experience. In all the circle of my acquaintances I know no such young man. The country has tackled the problem of saving and has tackled it in a way that has not been acknowledged, and it does no good to disparage our country in that respect. It does no good to recruiting to say that our men are shirking. It does no good to saving to say that we are not saving. The fact is that we are saving. We are not saving in mere minute Lenten penances, but we are saving in great chunks of expenditure all over the country.

I may give one or two examples. Take the amount of money that was spent in this country on sport. That is mostly being saved to-day. Grouse moors are unlet. Fishings are unlet. House parties in the Highlands and elsewhere are unknown. Even the popular expenditure on football and sport is contracted enormously. Take all the suspended expenditure on social entertainment, not only in London, but all over the country. Take the expenditure on holidays, not only Continental

holidays, which are almost impossible, but all holidays—the people of this country have not taken their holidays, and, where they have taken them, it has been in an economical way. Take the element of dress. A few months after the beginning of the War, in the smoke-room of this House, I put to a group of Members this question: “How many of you have been to your tailors since the War began?” Not one of them had been to his tailor. The saving in this country on women’s dress is perceptible to any man who has eyes for female attire. The new fashions are not running, and women of all classes are wearing hats of old dates, and even of the last three years. Then take trades. I am told that the furniture trade is absolutely stagnant, with the exception of those dealers who supply the working classes and who are doing well. But the great furniture dealers have their business almost at a standstill. I was told by a man who was connected with the decorating and wallpaper business that all their trade has been suspended during the War. Again, everybody knows that ordinarily at this season of the year, in going through the streets in all parts of London, painters were found at work, and one’s progress was impeded at every step. There has been very little of that this year. I think the Chancellor will find, when he comes to apply again for the savings of the people, that they are of surprising amount. All these items which I have mentioned means blocks of millions of money; huge chunks of savings are being effected.

I protest not only against those people who say we are not saving but those people who say that we are not working. I was present the other day when Mr. Stephen Walsh spoke up for his class, the miners of England.

He said they were doing their duty and doing their work. He said that the miners in his district and other districts had made up their minds, and declared that during the War there should be no stopping of work. I think I am in a position to know something about this particular item. I have a return week by week from the Census of Production of coal production in this country, and I should like to say that the miners have shouldered their work bravely. Although 200,000 miners have gone to the front, and their places have been taken up by people of less experience and less skill, yet, during the month of August this year, the output of the mines of this country was greater than the output of the mines in 1913, which was the record year of the trade.

I am not comparing this August with August, 1914, which is the year of the War, but with August of 1913, which is the record year of the trade. However it may be accounted for, it is the fact that the output in August of 1915 was 21,290,000 tons, according to the estimate of the Census of Production, and according to the record at the Home Office, it was 20,464,000 tons in August 1913. I think that speaks extremely well for that large class of men, the miners. They may in August 1913 have taken long holidays, and extended their Bank holidays to a week—they probably did; but this year they did not, though they had money in their pockets, more money than they ever had before. I object to disparagements of the efforts of our country. I object to its being said that we are not saving in cash or not increasing production. I think it is well for us in this country that our enemies in other countries should know that we are putting our shoulder to the wheel and doing it well.

In this debate, and in all debates having relation to the cost of the War, with all our loans, all our taxes, all our loss of trade, and all the devastation caused by the War, we should ascertain what is its real cost; and the real cost of the War can only be estimated in one way, excluding the part that has been borne by taxation during the War, by the valuation of our country at the end of the War as at the beginning. Sir George Paish, whose figures I have already quoted, doubts if Great Britain is any the poorer after one year of War than it was at the beginning. Let me illustrate this more fully by talking of Germany. Germany has not incurred a large outside debt. She has no external debt and at the end of the War Germany will have one great asset, and that will be Germany. The question for the Germans will be one which has not yet arisen in this country, and that will be, who will own Germany. There will be legal possessors of everything that is in Germany, but they will have on their backs two or three other sets of claimants and the liquidation will be a problem which I am sure our Chancellor of the Exchequer would not like to tackle. I made these remarks and felt impelled to do so because, although the debate has been marked by courage and resolution and a spirit of self sacrifice, this committee and the people outside do not quite realise what our resources are, or the efforts that we have been making to liquefy and to bring them into operation for the purposes of the War. I think that so far as the economic position is concerned we can face it with confidence.

II

PAYING FOR THE WAR

I feel compelled to rise in consequence of the remarks of the Chancellor of the Exchequer and his exhortations inculcating public and private thrift. I do not know whether it is commonly realised that, in the first instance, this War will have to be paid for almost entirely out of the national income. It is all very well to talk about our accumulated wealth, the thousands of millions of property that we hold. But in the first instance the accumulated capital of the country is absolutely unavailable. The burden may be laid upon it afterwards, but liquid resources must be found for current expenditure. Practically everything that has to be provided for the war—the services of the men, their provisions, munitions, and everything else—has to be produced within the year, and it has to be paid for, in the first instance, in cash within the year. We cannot pay our debts from day to day by flinging our property away. We cannot carry on this War by putting into the pot the docks, mills, ships, farms, and all that sort of thing. The expenditure has to be realised in some liquid form, and for the most part it must be realised out of our annual income. Our annual income is estimated at something like £2,400,000,000. What it will be this year we do not know; it may be more, it may be less, but it will be very differently distributed. A large number of people will have reduced incomes, while a small number of people will have vastly enhanced incomes. There is a field for the operation of a Chancellor of the Exchequer in the income of this year which there has not been in the income of former or ordinary

House of Commons, June 15th and 22nd, 1915.

years. It is all very well to inculcate public and private thrift by exhortation, but we shall have to go a little further.

There has been talk of hatred of forced loans. We are in times in which we cannot act according to our prejudices, our preferences or our habits, and we may have to do things which we dislike. I am inclined to believe that the income of this nation will have to be tapped by some system of compulsory thrift. It has been suggested that among the Income Tax payers there are those who have money either directly through the expenditure on the War, or those who have made it under the conditions which have been produced by the War, such as coal-owners, ship-owners, and others, who should have their extra profits partly impounded, either by a special taxation, or, as I suggest, by a forced contribution to a loan. It would probably be very difficult to impose enormous taxation on a class instituted in an emergency, and it would certainly be very capricious and unfair. I would prefer that taxation of this sort should take the form of a compulsory contribution to a loan, which would be to that extent a forced loan. I should not be averse to a suggestion of this kind; that every Income Tax payer who is paying Income Tax on an income larger this year than his income last year should have half of his increase impounded as a forced contribution to a loan, which might be collected by the Inland Revenue, as the Income Tax is now collected.

There is another part of our annual income, that is, the vastly greater amount which goes in wages of the weekly wage earners under the present scale. In many instances the advance in wages has been many times more than the advance in the cost of living. I met

with the case of a man the other day who took £15 in wages on Saturday night. That man had a bill at a certain public-house of £7 10s. He was not a drunkard, he was not a slacker, he was a good man and a good worker, but that was his idea of spending a princely income in a generous way. That part of the national income is in some degree wasted. I should propose to the Chancellor of the Exchequer a method of tapping this unwonted increase in incomes of this class. I should not take it from them by taxation but I should adopt the system of compulsory thrift. For instance, I would bring out a loan of low denomination, say in £1 scrip or bonds payable to bearer. It would be impossible to attach coupons for half-yearly interest to such bonds, but I suggest that they be made payable in five years, with accumulated interest of, say, 24s. I would make it obligatory on the employers to hold these bonds in stock, and obligatory upon both employers and employed—the employer to pay and the employee to receive—say where a man's wage was £3 a week, that the man should be forced to accept as part payment of his wages a bond of £1. It would be of good value to him, and it would be of moral value to him. It would be a property that would rise in value for five years.

I would go further, and say that of weekly wages above a pound, one half of the income should be given compulsorily and accepted compulsorily in this way. For instance, a man who had £5 a week should accept £2 in bonds, and the man who had £7 a week should accept £3, and so on. I only give these figures as illustrations of the principle. Those men who are in receipt of unaccustomed sums would find the money

saved for them. It could be deposited at the savings banks, where it would be kept without interest, while if they wanted the money the bonds could be realised. Meanwhile the Chancellor of the Exchequer would have had his money. I throw this out as a suggestion, which I think might be made acceptable to the working classes, especially if it were propounded as an alternative to the Income Tax being enforced upon classes who, up to the present, have not paid it. I throw out these suggestions for what they are worth to the Chancellor of the Exchequer, and I would express the opinion that mere exhortation to the people of this country to exercise thrift will have very little effect, in fact, no effect, in proportion to the demand for thrift which the occasion has produced, and I believe that in the end some system of compulsion will have to be applied.

III

COMPULSORY THRIFT

If you consider the war expenditure, it comes out of the year's production of this country. Everything which is expended for the War, the time of the men at the front, and the time of those working behind—it is this year's time ; the munitions, the food, the transport, and everything else has, for the most part, to be produced this year, and it is only this year's resources which are available at once and in the first instance.

It follows therefore, that if half the production of this year is to be absorbed by the War we have almost to live upon the other half. Instead of saving one-sixth of our annual income we shall have to save three-sixths, or near it, in one form or another. But it does not follow from what I say that capital should not in the end

—though it cannot in the beginning—be made to pay. The burden can be made to fall upon it, but it can only be made to fall upon it later. The only liquid available sources for the Chancellor of the Exchequer to get his money from at first is as I have stated. For this reason I am rather averse to proposals to get too much by present taxation upon revenue, because it would be upon this year's income. It would be futile, it would be unfair, and I think it would be almost suicidal. But, after all, the question of raising the money by taxes or by loan is something of a book-keeping question; indeed, very much of a book-keeping question. It is something like the question which comes before the limited company which has made a loss: whether they shall cut the loss and reduce their capital, or whether the capital shall remain as it is—for the most part watered. If the money is raised by loan instead of taxes, the expenses, and the weight of that Loan may be made to fall upon the people upon whom it should fall. It may then be made to fall upon property and upon the owners of property, if this House and if the Government of the day think that is the proper form.

How must he tap the resources of this year? That is the great question of the Chancellor of the Exchequer. He has offered terms which are good, but not too good, to attract the thrifty—that is to say, the people who do save, who know how to save, are habituated to saving. Perhaps it will attract them to save more, to economise more. In my opinion, however, the right hon. Gentleman will have to go a little further. He must tap the resources of the incomes of the unthrifty, of the non-investing classes, of the people who never think of saving, but who always spend. Therefore, as a taxation

is always compulsory, and as the resources of taxation of the Chancellor of the Exchequer are limited, I think he will in the end have to make his thrift compulsory. People must be made to subscribe to the War Loan as they are made to pay their taxes.

NOTE

[*A Letter to the Chancellor of the Exchequer.*]

MY DEAR MCKENNA,

This comfortable period of Treasury Bills is coming to its limit and you will certainly shortly have to bring out a new loan. In view of this every thoughtful man from your predecessor downwards is preaching thrift—to others. To me it is becoming clear that any voluntary movement will do little. We must have *compulsory thrift* to provide anything like what you will require.

You can impose thrift in two ways :

(a) By taking a large portion of the people's income and some of its capital by taxation.

(b) By compelling them to lend you a large portion of their income as well as some of their capital.

Although personally I should favour (a) *i.e.* taxation on a scale as unexampled as the expenditure is unexampled, I admit this is impossible to you during this war. Any great scheme of taxation is far too controversial a matter to be carried through by a Coalition Government. The adjustment must be left in the main until after the war. There remains (b) *compulsory* borrowing, out of the national income.

I am convinced you have to deal with a total national income of unexampled magnitude. Our vast collective expenditure is not all consumed. What goes into private hands is a considerable set-off. And this money together with the great profits of such classes as coal-owners and ship-owners who indirectly as well as directly benefit in pocket by the war is now being piled up and is the most accessible and liquid portion of our wealth. The wages of labour, including army pay, separation allowances etc. has also been increased by probably 200 millions and this unfortunately is not being piled up to any great extent, but is being wasted in the most pitiful way. I met, the other day, with the case of a man in my own constituency who had drawn £15, a week's wages, and £7 10s. of this he had to pay over to a public house for his week's drink bill. This man was not a drunkard or a waster, his wages proved that. He was simply spending a princely income, "like a gentleman," in unlimited hospitality and treating, and he is a type. This class, in my opinion, can only be got at by a scheme of *compulsory* thrift.

You have therefore, I believe, before you a National income probably hundreds of millions greater than the ordinary estimate of 2,400 millions, but it is distributed in a quite unusual fashion. The ordinary prudent man who habitually saves a fixed proportion of a habitual income, is probably suffering from a reduced nominal and certainly from a reduced real income, and may have ceased to save, but his lost savings are more than made up by others who have an unforeseen and unapplied accumulation.

I suggest that these accumulations of the commercial classes, and the surplus and unapplied or misapplied

wages of that portion of the working classes to which I have alluded, should be in part compulsorily appropriated as a compulsory contribution to any new loan.

With regard to the former who are payers of income tax, the method is comparatively easy. All that is necessary is that a proportion, say one half, of any excess of income during the year, 1914, over that of the preceding year, should be demanded by the Inland Revenue Official and instead of a mere receipt, that script in the new loan should be given in exchange. This particular portion of the national wealth is at the present moment, for the most part uninvested and is the most liquid property in existence in the country. Between January 1st and March 31st of next year, a second dose of the same treatment might be applied. I am certain the result would be a welcome surprise to the Treasury.

This proposal is however obvious and has doubtless been considered already.

My second proposal is to apply the same principle to the non-income tax payer, earning high weekly wages. It might be done by the issue of a part of the loan in script of small denomination, £1 bonds—payable to bearer. Of course it would be impossible to pay half-yearly dividends on such a sum. I should therefore make them redeemable in five years, with the accrued accumulated interest at the rate of, say, 24s.

It might be made obligatory on all employers of highly paid labour to keep a stock of these bonds. Every workman who drew a wage of £3 for a week's work should be obliged to accept one of these at £1, in part payment of his wages. A man drawing £5, should be made to take two bonds; £7, three bonds

and so on. The Post Office Saving's Bank would receive these bonds, without interest, for those who wished to save them, and the men who would not save, could of course find a purchaser, but you would have the money.

I believe this would give you, in the present state of the labour market, a sum which would ease your operations; and that if it were introduced skilfully, the working men and their organisations could be induced to accept it.

The moral effect of such a system of thrift would be as beneficial to the men as the financial effect would be to you, and the diminution of an unwonted store of ready cash would tend to diminish slackness in work and "absenteeism."

I am not a small employer of labour myself, and I believe this system would be accepted by the men in the exaltation of the present crisis, and others with greater experience in the management of labour than mine, agree with me. It might be presented as an alternative to a tax on wages.

I hope you will not "turn down" this last proposal without thinking it over. Of course it would be necessary to its successful introduction to accompany it by something like the first proposal, *i.e.* to supply the same principle of compulsion to the income tax paying employer, as to the wage earners.

Pardon this long though condensed letter. If you get to the end of it, I think you will pardon it.

Yours sincerely,

RUSSELL REA.

THE RT. HON. REGINALD MCKENNA, M.P.

III

MISCELLANEOUS ESSAYS

LIBERTY AND LABOUR

By Liberty I mean simply industrial liberty, and by Labour I mean the labour of the weekly wage earners of the better sort. Thus restricted my subject is quite sufficiently extensive.

I exclude the rich, for really the rich are not people of any great consequence. They are few in number—we are apt to forget how very few, in contemplating the vast space they fill—not only in their own eyes but in the eyes of the multitude of persons of more real importance. Further, the growth of liberty among the masses is apt to be accompanied by some curtailment of the gay irresponsible freedom of action of the rich. Therefore I exclude all consideration of the land-owner, the capitalist employer, the capitalist unemployed, and the mercantile and professional classes on the one hand. Upon the other hand I exclude the lowest of the poor, the casual labour, the sweated, the submerged tenth. These are the unemancipated. They know nothing of liberty, industrial or political. But fortunately this class also is not one of the largest, and its existence is an ugly, and we trust temporary, phenomenon in the course of our social evolution.

I speak only of the great wage-earning multitude, that which Mr. Charles Booth classified as “working

class comfortable," which comprises $51\frac{1}{2}$ per cent. of the people of London, and a much greater percentage in the provincial towns. But the importance of this class is not adequately represented by its number, great as this is. It is the governing class. Its voice is the effective voice on all occasions when it chooses to speak. But far more than this—it is the growing class. To it belongs the future. The first problem before it is to absorb into itself all the classes below it, and then, whether it also absorbs into itself all the classes above or not it will become the most desirable class to belong to—that living the most healthy rational and comfortable life.

Of their present condition two very different views are presented to them by two very different classes of teachers. One orator will tell them they are wage-slaves and sinking into deeper and more hopeless slavery : the rich are getting richer, the tyranny of capital is rising to a height unknown in England before, and, at the same time, the poor are growing poorer, and more helpless beneath the iron heel of the oppressor. And then another sort of orator will come along and tell them that in our glorious and free country the humblest has privileges beyond the imagination of his fathers to conceive, and that the working man to-day enjoys luxuries the wealth of kings could not buy in ages past.

Let us consider this question of the industrial freedom and well-being of the English workers.

I am not able to provide anything of historic or economic value. I propose simply to recall some of the conditions under which our fathers lived and worked, and compare them with the present conditions. It is well for us who are interested in these things, especially

those who are taking part in the struggle for a better and freer life for the workers, occasionally to sit down and consider the way we have come, and the direction in which we are going. Are we going from bad to worse? or are we going from something (say) middling to something better?

We are told by many that before the age of steam and before the factory system, and when the great towns were little ones, times were good in this island. Mr. William Morris had his favourite period, about the end of the fourteenth century, to which he looked back as to a golden age. England was "merry and free England" then. The English yeoman used to live on his own, not quite free, but fairly free land, and grow his own food, and his wife spin her linen and woollen yarn (no one knew cotton then, and would have scorned to use it, if they had known of it), and the hand weaver in the village used to make the yarn into good honest cloth, and every one lived in plenty, and imports and exports were almost unknown.

The craftsman (we are told) used to work in his shop, with his two or three journeymen and apprentices, who would all in their turn rise to be masters themselves, and the industrious apprentice would marry his master's daughter. And the Craft Guild would see that honest work was done, and an honest price was paid for it.

A great deal of the enchantment of this picture we owe to distance—all the darker shadows are left out. There was then and always, industrial tyranny and suffering in "Merrie England."

For example, to come to a rather later date, but still in the age of small hand-manufacturers, Macaulay relates that "in the seventeenth century at Norwich,

the chief seat of the clothing trade, a little creature of six years was thought fit to labour," and this was a cause of "exaltation" to writers of the time, even those esteemed "eminently benevolent"; and Defoe in his *Tour of the Eastern Counties*, tells with evident satisfaction, how a century later "the very children *after four or five years of age*, could every one earn their own bread." Child slavery did not begin with the manufacturing system. Again, we find how, one hundred and fifty years ago, mines in Scotland were worked. The miners worked with iron collars round their necks, and they were sold with the mines at which they worked.

When we hear now of laws relating to factories, and workmen, and hours of labour, we naturally expect these to be made with the object of restraining excessive labour, securing healthy conditions, safety, etc. But the old laws were directed quite the opposite way. Their purpose was not to protect the worker, not at all—it was to drive him to work, and to keep him at it. To take an example: there was a well known law called the Statute of Apprentices. It enacted that "From the middle of the month of March to the middle of September, all artificers and labourers hired by time were to be and continue at their work at or before five o'clock in the morning, and continue at work and not depart until between seven and eight of the clock at night," two and a half hours of the day being allowed for meals and drinking—the legal day's work was to be twelve hours, and (mark these words, which are added—they express the whole spirit and object of the law) the legal day's work was to be "twelve hours *at the least*." The worker hired by time who attempted to defraud his master by working ten hours only was liable to

punishment, but no blame or punishment was for the master who kept his men or boys "hired by time," *i.e.* by the day, at work for (say) sixteen hours. This law was not formally repealed until the nineteenth century.

Again, every working man was tied to the parish in which he happened to have been born. It was not until 1795 that a workman could legally travel in search of employment out of his own parish.

Wages of course were to be paid. One may ask how could a man make a fair bargain with his employer under such conditions and such laws as these? Our ancestors would have answered such a question as this very simply. They would have said, "Make a fair bargain with his employer! Who ever heard of such a piece of presumption? His wages, of course, are fixed for him."

Parliament again and again endeavoured to fix wages but this did not answer, and in later times wages were fixed by the magistrates at Quarter Sessions. But when I say wages were fixed I only mean maximum wages. No man "hired by time" was allowed to ask more. If he could be induced or forced to take less, that was all right—so much to the good. This power was only withdrawn from the magistrates in 1812.

These slight glimpses of the older England shew us a country which was not altogether a paradise for working men and women and children.

But a comparison of our condition with that of those who lived in the old order, though interesting, is not so profitable as with that of our grandfathers sixty or seventy years ago.

The age of the steam-engine and the railway and the telegraph had then come. The factory system had

grown up. The cities were rapidly increasing. England had become the workshop of the world. And at this time England was very proud of what it had done, and the voice of the orator was heard in the land, especially at Manchester, extolling our British industry and our British enterprise, and the millions of miles of yarn we were spinning in a year, and the millions of tons of coal we were digging, and the millions of pounds we were saving. Production! Production! was the cry—nothing but Production. And looking back at the first half of this century, perhaps we may acknowledge that to use our new powers at all was the lesson that age had to learn.

But even then there were those among us—the wisest and most thoughtful—who said and ceased not saying that all was not well with England then.

It was about fifty years ago that Carlyle wrote in *Past and Present*, “Life was never a May game for men. The lot of dumb millions born to toil was defaced with manifold sufferings. And yet I will venture to believe that in no time, since the beginnings of Society, was the lot of those same dumb millions of toilers so entirely unbearable as it is even in the days now passing over us. It is not to die, or even to die of hunger, that makes a man wretched. Many men have died, all men must die—the last exit of us all is in a Fire chariot of pain. But it is to live miserable, we know not why; to work sore, yet gain nothing; to be heart-worn, weary, yet isolated, unrelated, girt in, with a cold universal *Laissez-faire*.” And John Stuart Mill, in his *Political Economy* published a year or two later, declares, “Hitherto it is questionable if all the mechanical inventions yet made have lightened the day’s toil of any human being.

They have enabled a greater proportion to live the same life of drudgery and imprisonment and enabled an increased number of manufacturers and others to make fortunes." I might multiply quotations from Kingsley, Mrs Gaskell and others to shew that the better minds in England were dissatisfied and indignant. Of this time Mr. Gladstone wrote, before his death, "In this terrible state of things there did not seem to exist among the governing classes, so much as a sense that there was such a thing as a Labour Question. The Labour Question may be said to have come into public view simultaneously with the repeal, between sixty and seventy years ago, of the combination laws, which had made it an offence for labouring men to write for the purpose of procuring, by joint action, through peaceful means, an augmentation of their wages."

This language is strong, but not a bit too strong to describe the condition of the labouring class in the early days of England's manufacturing supremacy. Our manufactures had brought into the world a new population. By the grinding slavery of their work, their long hours of labour, in perhaps a heated atmosphere, in unsanitary conditions, with poor and insufficient food, this population was being degraded morally and physically.

The Lancashire mill worker is described by a trustworthy writer of some sixty years ago—and when I speak of the cotton trade, it is to be remembered I speak of far the largest trade then and now in this country, a trade equal to the coal and iron trades taken together, in the value of its product—this authority describes the mill hands as becoming "stunted in stature with slender ungraceful limbs—a general bowing of the legs,"

“girls walking lame with curved spines,” “straight thin hair,” “a spiritless dejected air.” Their food, “tea—weak and bad, without milk generally,” or coffee and a little bread; “for the men sometimes, but not often, oatmeal porridge—dinner consisted of a mess of boiled potatoes.” And here the different grades of labourers fared differently—the poorest melted a little lard to mix with their potatoes; those a little better off a little butter, the class higher were able to add a few pieces of fried fat bacon; and the highest class, or those in whose families were several members earning wages, a little meal sometimes but not often. The quantity of meat consumed by the labouring population was small. After leaving work at seven o’clock or later, the evening meal consisted of tea with some spirit in it, if they could afford it, and a little bread. But even of this kind of food they had not half enough. With wheat at perhaps 120s. per quarter (it once in 1801 went up to 180s.), how could bread be anything but a luxury.

How did the people live through such times as these? God only knows. The fact is they did not always live. When mortality statistics first began to be taken, this awful fact was discovered, that the death rate in England went up and down—with Smallpox and Cholera? doubtless it did—but chiefly with the price of bread. If corn went up in price too much the people solved their difficulties by dying. And on the average people died in England about three and a half years younger than at present.

In the enquiries which led to the first Factory Acts a mass of evidence was given, which remains accessible and cannot be denied. It relates chiefly to child-labour,

but from it you will be able to judge of the material conditions in which the operatives lived, and the degree of freedom under which they worked.

And here I would say that I am indebted to books written without any class or theoretical bias—such as Mr. Cooke Taylor's *Modern Factory System* and others. In most cases the words of witnesses can be given. Between five and six years of age the little things were first sent to the factories, at five or six o'clock in the morning. In winter they ceased working at five or six at night, but in summer they used to continue at work until nine or ten o'clock at night.

A well informed witness said he “never in all his life saw the machinery stopped at breakfast time at any of the mills. The children get their breakfast,” he said, “as they can, they eat and work; there is generally a pot of water porridge, with a little treacle in it, placed at the end of the machine, and when they have exerted themselves to get a little forward with their work, they take a few spoons full, and then work.”

The children had always to work on their feet. It was calculated that, in performing his long day's work, a child walked from twenty-five to thirty miles.

The children were generally cruelly treated. Said one witness, “It is a difficult thing to go into a mill, in the latter part of the day, particularly in winter, and not to hear some of the children crying for being beaten.”

Another witness, “We worked as long as we could see in summer time, and I could not say at what hour we stopped. There was nobody but the master and the master's son had a watch, and he did not know the time. The operatives were not permitted to have a

watch. There was one man who had a watch. I believe it was a friend who gave it him. It was taken from him, and given into the master's custody, because he had told the men the time of day. There was no clock at that mill."

The children would fall asleep at their work. They were awakened by blows, and kept awake by beating.

Another witness, "They were locked up while at work; they were guarded up to their bothies to take their meals, and were locked in the bothies at night, and the master took away the key with him to his own bedroom. The windows of the bothies, where they slept, had iron stanchions on the outside, so that they could not escape."

Another witness from Huddersfield said, "I had fourteen and a half hours of actual labour when seven years of age; the wages I then received were 2s. 6d. per week. There were three overlookers; there was a head overlooker, and there was one man kept to grease the machines, and there was one kept on purpose to strap. It was the main business of one of the overlookers to strap the children up to this excessive labour, the same as strapping an old horse that has fallen down and will not get up.

Another witness, a woman from Leeds, said, "I began work when I was six years old. In that mill we worked from five in the morning till nine at night, when they were busy, at other times from six to seven—with forty minutes' interval at noon." Then follows the same story of strapping, in this case the little girls were chained and strapped.

In the mills profound silence was enforced. "I have seen," said another, "the master chance to see

two girls speaking to each other. He has said, 'Look yonder at those two girls talking,' and he has run and beat them, the same as they beat soldiers in the barrack yard for deserting."

One is inclined to ask how men and women could endure to live, and see such things, much less suffer them and still less inflict such sufferings. It is wonderful what people can endure when they must, when there is no help, and no sight or thought of help. And it is still more wonderful how easily people come to be resigned to, and even to be blind to the sufferings of other people.

When first this question was stirred in Parliament, with a view to legislation in 1832, some startling evidence was given to the Select Parliamentary Committees—that is startling to us. One gentleman, a surgeon and apothecary of Bingley in Yorkshire, on being asked the question, "Is it not, in your judgment as a medical man, necessary that young people should have a little recreation or amusement during the day?" boldly answered, "I do not see that it is necessary." Another medical gentleman of Manchester of twenty-four years' experience doubted indeed whether a child could work twenty-three hours without suffering, but when pressed as to whether he would extend the doubt to twenty-four hours, could only reply that, "it was not in his power to assign any limit." He should think, however, the latter feat extremely improbable.

These people were not monsters. There are vast numbers of persons of the same kind in the world now. We all know them. They were not necessarily very wicked. They might have been model fathers, and husbands, and traders, and citizens, and perhaps good employers of their own people. They probably were

quite religious, and subscribed their money to send the gospel to the heathen. They simply were used to it all. It seemed the course of nature to them. "Man is unfortunately born to toil." "It is the original course and can't be avoided." These men were neither better nor worse than ourselves, who read the report of a "Sweating Commission," or "an inquiry" into the housing of the poorest, and then just let things slide. They were neither better nor worse than the working men, who, having secured more reasonable hours for themselves, practically force the shop-keeper to keep open his shop, and the shop assistants to work until ten, eleven and twelve o'clock, for their convenience; or the poor bar-man at the public house, the slave of the beer tap, until half past twelve.

We are, by no means, fully emancipated yet, and some classes are in as hard bondage as were even their grandfathers—but the tide turned about sixty years ago, the iron grasp has been relaxing, and our day is a far brighter one for most workers, and especially for the children.

It is impossible fully to appreciate the weight of the bondage that held the working population in such helpless misery, without remembering that added to the lash of the industrial oppressor, were the chains of economic bondage and those of a savage criminal law. Food taxes have almost gone excepting on spirits and beer. But our grandfathers whether they ate or drank, or whatever they did, paid money to the State without knowing it. In 1845—1163 articles of consumption paid duties; about ten pay now. The weight of this form of slavery is evidenced by the slender use of articles which are now considered necessities, such as tea, of

which we consume more than 100 ozs. per head of the population, man, woman, and child per annum, now, while so late as 1850 we could not afford more than 32 ozs. The weight of the savage Criminal Code can be imagined when we realize one fact—Thorold Rogers says, “When Sir Samuel Romilly and Sir James Mackintosh began their reforms there were about 250 capital offences on the English Statute Books, all originating in the interest of particular kinds of property.”

While it must be freely conceded that the position of the working classes, that is of the better and better off portion of the working classes, is not yet all that could be desired, it must, on the other hand, be admitted that their material condition has enormously improved, that the degree of industrial liberty they enjoy is beyond anything dreamed of by their grandfathers, and in political power they have risen from less than nothing to being supreme in the state.

How has this advance been brought about? Have the workers done it for themselves? Have better laws done it for them, and, if so, how much have they had to do with improving the laws? I have quoted from Mr. Gladstone a statement that the Labour Question arose first with the abolition of the severe laws against combination. Before this time, whether it was legal or illegal, workmen did in some sort combine. But the poor little secret societies, with no legal standing, with no funds, with unwritten laws, with no force but secret violence, had small influence, even in questions of wages and living, and politically no influence at all. Politically we may say, rather less than nothing—for workmen had no votes, and the classes who had votes,

were bitterly opposed to the existence and action of Trades Unions, not only by reason of their own class interests, but really on what they believed to be principle, founded on demonstrable and demonstrated economic laws.

The political world was possessed by the Manchester spirit—what Carlyle calls, “a cold universal *Laissez-faire*.” The economic world was possessed by devout belief in the Wage Fund Theory. To both, the action of Trades Unions was not only inconvenient but unscientific, and demonstrably bound to be abortive. Up to the days of Adam Smith—say 120 years ago—all but a very few of those who had to do with making laws, believed in regulating wages and everything else by law. But sixty years ago, nearly everyone who professed to be enlightened went in for industrial freedom, that is Manchester freedom—hands off—*Laissez-faire*. As stated the argument sounds very pretty and very complete—“Let every one do as he likes, and then everyone will do what is best for himself, and surely a man himself is the best judge. And the best for every man individually must be the best for all men, and for the nation collectively.” For a time this belief prevailed. *Laissez-faire* became the God of the economists, and of the commercial classes. He is worshipped still—with all their hearts by the followers of Mr. Herbert Spencer, and Mr. Auberon Herbert; the Liberty and Property Defence League, and the Anarchists; with prudent reservations, by the practical politicians and the capitalist press—but not at all by the spirit of the new age and of the new economy.

But even seventy years ago it began to be seen that everyone doing as he liked, although a very good rule

for sharks, and pike, and wolves, was a very bad rule for sheep and trout, and, even if it were foolish and sentimental to take thought for sheep, yet mutton must not disappear and the wool trade was to be considered.

So as oppressive laws ceased, protective laws began to be made, very timidly at first. From the beginning the opponents cried, "tyranny! socialism!" just as they do now; and among the objectors were John Bright and Miss Martineau. "Socialism" was a word that signified all ungodliness in the ears of Lord Shaftesbury and his friends—and they did their best to prove that their protective laws meant nothing of the kind. But Socialism it was and we are no longer afraid of the word. In truth we are in the very midst of the Social Revolution. It is going gaily on, in my opinion quite as fast as we are prepared to receive and profit by it. Its worst enemies are the impatient men who deny its existence, and seek to bring in the Kingdom of Heaven by violence. They it is who would imperil all that has been gained and play into the hands of the forces of reaction.

Among their own class the workers could not find effective political leaders. They were outside the pale of the constitution, too ignorant, and too helpless to formulate any demands much less to enforce them. The working classes of the present day, with their extraordinary able and experienced leaders, should not forget what they owe to the small group of noble men who fought the battle for them in Parliament during the first sixty years of the nineteenth century, until men of their own order were able to take their places in the House of Commons.

Robert Owen had shown at New Lanark what might be done by a sympathetic employer, and he even drafted a bill for Parliament—a first Factory Bill. But he was not a member, and failed to get a seat.

The first man to make any effort for the workers, and not for the employers, in Parliament, was the first Sir Robert Peel, the father of the Prime Minister, himself a large employer of labour in 1802. His first efforts were directed to enforcing improvement in the sanitary and moral condition of the children. A few years later he managed to get a law passed limiting the hours of apprentices. But the first laws of this kind were not enforced and practically what Karl Marx says is true, that in 1833 “All, including children, worked all day, all night, or both *ad libitum*.”

To the first Sir Robert Peel however belongs the credit of two things—he first induced Parliament to pass a bill limiting hours of labour, and he first procured the appointment of factory inspectors—or as he called them, visitors.

Then began the great and long struggle which resulted in the passing of the Ten Hours Bills in 1847 and 1850, and in many smaller victories for labour before those dates. The leaders in this long fight should be held in everlasting honour by all English workers. Among the first was Mr. John Wood, a Bradford manufacturer. He it was who first enlisted Mr. Robert Oastler in the fight. Oastler was not a manufacturer, but a land-owner and land agent; in politics, a Tory. He was an eager advocate of the emancipation of the West Indian slaves, when Mr. John Wood opened his eyes to see the worse slavery at his door. Parliament did not scruple to interfere with the slave-owner. The law was

“That each slave shall be allowed half an hour for breakfast, and out of crop two hours for dinner ; during crop one hour and a half” under penalty of £50. Also “every owner and manager shall provide for his slaves a sufficient quantity of good and wholesome food, dry and comfortable lodgings, suitable clothing, and medical aid and advice” ; and further, “to comfortably maintain all old infirm and diseased slaves on their estates,” penalty for each omission £100.

To get for English children and women some portion of the protection afforded to the West Indian slave Oastler devoted himself heart and soul. He published letters which he headed “Yorkshire Slavery,” spoke on a hundred platforms, and gave up his whole fortune and leisure to the cause.

Unfortunately Mr. Oastler was not in Parliament, but the movement found the very leader they wanted in Michael Thomas Sadler of Leeds, who was not only a politician but an able writer and economist. His career was cut short by the loss of his seat in 1832 and he never again succeeded in entering the House of Commons. His work, however, produced his successor. He obtained the appointment of a Select Committee, and it was through reading some of the evidence taken before Mr. Sadler’s Committee that Lord Ashley, better known as the Earl of Shaftesbury, was inspired to take up the cause. He wrote to Mr. Sadler offering his services in Parliament, and from that day to the close of his long life, when he was able to hand over the task, now become popular, and comparatively easy, to men of the working class—to the Odgers and Burts, the Pickards and Burnses, he remained the leader in the fight against industrial tyranny.

These men did not lead the working classes into the promised land. For the most part they did not believe in any Promised Land. But they did lead them out of the House of Bondage.

I have mentioned the small beginning made by Sir Robert Peel. In 1831 Mr. Oastler demanded for workers in mills a ten hour day, and Mr. Sadler led the crusade in Parliament.

In 1832 Sadler lost his seat and Lord Ashley took his place.

In 1833 Lord Althorp's Act was passed, the first of any consequence to limit hours of children and young persons, and to appoint inspectors (this applied to textile factories only). Lord Althorp was Prime Minister and was forced by Lord Ashley and others to take up this bill.

In 1834 an act was passed to protect child chimney sweeps. Few now remember the little dirty boys, who used to accompany the man chimney sweep, and who were made to climb the choked-up flues, and send down the soot. Well, in 1834 the attention of a merciful Parliament was directed to these little black slaves, and it was made illegal—to send a child up a high foul black chimney?—not at all—we had not got so far as that then.—It was made illegal to force a child up a chimney—*if the chimney were on fire*. The historian of the Factory System tells us that this measure provoked violent opposition in the House of Lords.

In 1844 adult women received some protection for the first time.

In 1847 the Ten Hours Act was passed and women were included in the protection afforded to children. In 1850 the Ten Hours Act was made effective by the

prohibition of relays of children—this practically applied the Act to the machinery and to adult men. In 1860 bleaching works were regulated. In 1863 bakehouses. In 1864 a whole batch of new industries was included in the Act.

In 1867 all trades were included in a better Workshop Regulation Act and children required to attend school.

In 1868 the Mines Regulation Act was passed, and in 1874 labour in textile factories was reduced by one half hour per day, and the age of child raised from eight to nine, and then to ten, and no young person under fourteen allowed to work full day unless he had passed an educational test.

The Acts of the same kind passed since that time it would be superfluous to mention. In the Liberal Government of 1892 we managed to keep Mr. Asquith and Mr. Acland quite busy. But it was easier work when Mr. John Burns rose to ask the Home Secretary whether he intended to do anything for the workers in alkali works—(general applause) and the Rt. Hon. the Secretary for War whether he would establish a general eight-hour day at Woolwich (general applause). And the first Right Honourable Gentleman hastened to assure Mr. Burns (amid applause from both sides of the House) that he had his eye on the alkali makers, and the second, that the eight-hour day would shortly be universal at the Royal Arsenal. This was easy and pleasant work. While rendering all due credit and thanks to those who had been doing it, let us not forget to honour those who first engaged in this struggle when it looked hopeless, and all the world was against them.

Thirty years ago the factory was an inferno. Now factories have so much improved that Mrs. Sidney Webb has declared that "Home work is the very citadel of the evils summarised by the term 'sweating'" and that she believed "the only radical remedy is to force our workers into the factory system, as we have forced our children into the schools."

But a pessimist may say, What is the use of your progress and improvement if they fail to make the people more contented? Their grandfathers in the worst of times were less discontented than the present working men. I would ask this man, in reply, if he has ever noticed a sufferer in the lowest stages of sickness and prostration? Does he struggle or grumble? He is far too feeble. He cares little for anything, even whether he is to live or die. But wait till he begins to get better—to get up and look about him. It is then he gets cross and you had better keep out of his way.

It was so with the poor seventy years ago. There was no organized—scarcely any conscious and intelligent discontent; a paroxysm—as the struggle of a man in a fever; a riot quickly suppressed by shooting and followed by hangings; and that was all. I have heard Mr. Gladstone say, speaking of the days of his boyhood, "The poor! they starved and were hanged."

And now the air is filled with the sound of the complaints of the working man, and it is echoed by the press and the pulpit and parliament—"better houses," "more leisure"—"an independent and comfortable old age," are among his demands. It is clear he is getting better, and suffers from the irritability of the convalescent. I find no fault with him. It is discontent not content I would preach. Although better he is still far from

well. I hold it is unnecessary that any family in Europe, outside Russia, should suffer from want of abundance of good food, or should lack sufficient clothing both for warmth and beauty ; or a well built and drained house, with sufficient accommodation for health and decent living. I hold that anything short of this standard is extravagant and wasteful, just as it is extravagant and wasteful to underfeed or badly house horses and cattle.

And until this standard is attained, at the lowest, discontent is a duty. It must precede and accompany all progress, and it is a most hopeful sign that the British Working Man has learned in whatsoever state he may be, therewith to be discontented.

LORD SALISBURY

As a man, a statesman, and a minister, the late Lord Salisbury was not remarkable for any particular thing he ever did. But he was a remarkable man, an influential statesman, and a powerful minister. No great political event, no great legislative achievement will be associated with the name of Lord Salisbury. Nevertheless he was one of the most potent influences of his time in this country, and beyond this country. He was the incarnation of the anti-democratic sentiment, and the centre round which the anti-democratic forces crystallised in the nation and in his own party. Search his speeches for fifty years, and you will not find from the first to the last a passage in which is expressed a love for political or personal freedom, any desire for more equal conditions of life, any aversion to privilege or monopoly. His first speech of which I can find a record was delivered at the Oxford Union in 1847, and it was a strong condemnation of the dissolution of monasteries by Henry VIII. His maiden speech in the House of Commons, as Member for Stamford, in 1853, was one against University reform. His last speech, on a domestic question, in the House of Lords, was directed against a reform of the marriage laws, although that reform was proposed by an Archbishop of Canterbury.

It was his fate to witness throughout his political life the constant advance of the popular power, and the constant retreat of aristocratic power and privilege. He was a man of far too acute an intellect, and too clear a vision, not to understand the character of the age in which he lived, and he never attempted to deceive himself. To him the most important, and the most disastrous event in the history of his country, in his own time, appeared to be the Reform Bill of 1867 ; a measure which transferred the basis of political power to the working classes ; a measure which he sacrificed place and power, and, so far as he could see at the time, his political prospects, to resist. With his usual uncompromising sincerity of speech, but with an exaggerated idea of the rapidity of the working of the British intellect, and of the logical faculty of his countrymen, he described the situation in 1867 as one “ in which the monarchical principle is dead, the aristocratic principle is doomed, and the democratic principle is triumphant.”

Doubtless his despair at that time was excessive. He had not yet proved the truth of the “ hyperborean theory,” attributed to Mr. Disraeli—that at the back of the North wind, there was a still and torpid country, inhabited by a sleepy race ; that below the turbulent radical, socialist working classes, dwell an ignorant, venal, manageable, poverty-stricken mass, without principles, without ideas, but influenced by gusts of sentiment, and more solid personal considerations. This lesson he quickly learned, and his dread of the populace became more and more tinged with contempt. From that fatal year, although he never changed his opinions, he never pretended to change them, and he never concealed them, he became perforce an opportunist

politician. Primrose, picnics and village circuses were the politics for the common people. Government to him was an art and a science, and a duty, and a property and right of their betters.

It was a delight to him to express his contempt for the political intelligence of the ordinary person, including the ordinary Member of Parliament, and their ordinary standard of practical education. When Mr. Gladstone proposed to abolish the paper duty in 1860, he said in the House of Commons, "Could it be maintained that a person of any education could learn anything worth knowing from a penny paper? It might be said that people might learn what had been said in Parliament. Well, would that contribute to their education?" The House of Commons itself needed revision and regulation and dismissal when it "misconducted" itself. It was thus on every occasion he was wont to give expression to his inherited and deep-seated antipathy to the spirit of the age in which he had the misfortune to be born. To him the times were "out of joint," and "cursed spite" that he was born without the power "to set them right." But there was a depth still deeper than that in which the average British voter wallowed—in which he smoked, and drank, and read his pernicious penny paper, and tyrannised over his fellow workmen by means of those "cruel organisation" called Trade Unions. And in this lower depth dwelt the non-British part of the Empire and the outside world.

The British people, he admitted in one oft-quoted speech, had a certain capacity for self-government; in Lord Salisbury's mind the faculty of self-government consisted in a disposition to submit to the leadership

of one's natural leaders, and that admirable quality the English had not entirely discarded. But there were others, and it was the Irish of whom he was at the time speaking, who, like Hottentots or even Hindoos, were entirely wanting in this characteristic. And we all remember how he called an educated and intelligent Parsee Member of Parliament, a man with a physical complexion as white as his own, "a black man."

And the thing to be observed is that these sayings about his countrymen, about the House of Commons, about foreigners, were not provoked by opposition, or debate; they were uttered on public platforms, where surrounded by his own followers and admirers, he doubtless felt at ease and liberty. They expressed his real mind, they disclosed the real Lord Salisbury, and every one so understood them.

With this uncompromising hostility to everything popular, everything democratic, expressed on all occasions, in season and out of season, with such epigrammatic point and sting in a democratic community to the faces of the people he despised, it may well be asked, how was it that Lord Salisbury was not the best hated man of his day and country? It is an undeniable fact that he was not. In truth he was not hated at all by any one. Compare for a moment the intensity of the antipathy excited in the breasts of their opponents by Mr. Disraeli before him, and by Mr. Chamberlain after him, with the feelings of the same men towards Lord Salisbury. Yet Lord Salisbury insulted them in a fashion neither of the other statesmen I have mentioned ever ventured to do. The popular respect, and even liking for Lord Salisbury cannot be explained, as it could in the case of Lord Palmerston, who was like

him, an ingrained aristocrat, by personal accessibility and affability. He was "hail fellow well met" with no man. In his family he is said to have been idolised, and the deference and admiration as well as affection with which he was regarded is shewn in the complete absorption of his opinions and prejudices by all his sons—men themselves of keen and independent intellect. To the narrow circle of his personal acquaintances he appears to have been an attractive personality, but we cannot point to a man who is known to have been his intimate friend and confidant. He was always a solitary figure, and dwelt apart. Justin M'Carthy tells us he never even saw Mr. Parnell, and never entered the smoking-room of the House of Commons.

What then is the secret of the influence Lord Salisbury undoubtedly possessed over the minds of his countrymen, and the universal regard in which he was held? The reason I believe is that they recognised Lord Salisbury as a sincere and honest man. He "jibed and flouted and sneered," but they knew he was at heart no cynic. He was a man with another ideal, but he had an ideal, and it was a pure ideal in its way, and in its age it had been a noble and useful ideal. It was one that postulated for his class a high vocation and a high duty, and for himself he acknowledged the vocation and never shirked the duty. He was an aristocrat in intellect and by conviction as much as by birth. He sincerely believed in the best government being government by a governing class—by the natural leaders of the people. In the words of Aristotle, his ideal was that of "a people submitting to be ruled as freemen by men whose virtue renders them capable of political command."

His position as Prime Minister was described, as

doubtless he himself felt it, by another arch-aristocrat, Mr. Gladstone. "We have," said Mr. Gladstone, "in 1890 a Prime Minister, whose ancestors were similarly employed, to the great benefit of England, ten generations ago. Is not this a good thing? Is not this tie of lineage for him a link binding him to honour and public virtue?"

We can only understand Lord Salisbury if we consider him as the inheritor of a great tradition in which he devoutly believed, as called by a vocation to which he responded. Order and authority were the great principles which he devoted himself to maintain, and as the great bulwark of these two principles in this modern age, the institution of property. Writing in 1858 on "The Theories of Parliamentary Reforms," he arrived at the conclusion that no reform was needed. He admitted anomalies, but anomalies never shocked him. He admitted unwillingly that this unnecessary thing, Reform, might come, but if it were to be found inevitable, precautions must be taken—"that sufficient weight, direct and indirect, shall be given to property to secure it from possibility of harm." No man of his day carried this belief in the absolute right of a man to his legal possessions of whatever nature to more extreme conclusions. In defence of the most extreme abuse and caricature of property rights he successfully resisted the passage of Mr. Gladstone's Army Purchase Bill through the House of Lords. Promotion by merit he described as "seniority tempered by selection, which means stagnation tempered by jobbery."

For mere wealth as a means of luxury and ostentation no man had a greater contempt. A biographer describes him as being himself "one of the worst dressed men in

London." But he regarded property as the best, and perhaps the only modern defence of privilege. And with privilege he ever associated the idea of responsibility, responsibility not to the populace, but to a noble tradition and higher power. "If we are not an elective House," he said to the Lords on one occasion, "we are not a bit less representative." But his idea of the representative character of his order was that, far from representing the popular mind and passions and prejudices, it stood as the representative and guardian of their higher and permanent interests. After the passing of the fatal Reform Bill—with the conviction that "the aristocratic principle is doomed," he thus expressed himself in the House of Lords—"I am sure," he said, "that be your term of existence long or short you will never consent to act, except as a free and independent House of the legislature."

Lord Salisbury's belief in the right of the ruling class to rule was almost amusingly illustrated by his appointments to the high offices of State. In his last ministry his family—himself, his son, his son-in-law, and his nephews, all held high offices, and together were at one time drawing nearly £20,000 a year in official salaries. And yet even his opponents never accused him of nepotism. A few discontented and disappointed members of his own party did so in the House of Commons, but they obtained little support from the opposition. It was felt that Lord Salisbury was acting not only consistently, but quite conscientiously.

There is something not ignoble in this devotion to the ideal and the theory of nobility. It appealed not only to the snobbish and sycophantic, but to the historic and romantic sentiment of his countrymen,

who are, at heart, and we democrats must confess it, not a genuinely democratic people.

In my opinion, Lord Salisbury's career and character can only be understood if you accept the stemming the tide of democracy in this country and abroad as being, in his own view, his vocation and mission. Everything he did was directed and subordinated to this end. And the first and most obvious step was to place himself and as many members of his order and his family in positions of influence and government as possible.

In pursuit of this end, and indeed of any other political end he had in view, he was not remarkable for any excess of scruples as to the means he adopted. The most conspicuous example of his Machiavellian methods, where he considered them necessary to gain his ends, was the manner in which he obtained the leadership of his party in the House of Lords. In 1867 he had resigned from Lord Derby's government on the introduction of the Reform Bill, and had been its most bitter assailant both in Parliament and in the pages of the *Quarterly Review*. Under the shelter of the anonymity which protects the contributors to that dignified organ he would not condescend to conceal himself, and everyone could name the author of the brilliant and bitter article attacking Mr. Disraeli. It caused less surprise after these events that Mr. Disraeli should have offered him a place in his cabinet in 1874, than it did that he should have accepted it. He was, however, Secretary of State for India, when the ever-smouldering Eastern Question blazed up into a conflagration. At that time, without any question of rivalry, Lord Derby was the second man in the Conservative party, and his right to the succession in the leadership was unquestioned. His

resignation when the British fleet was ordered to Constantinople and war with Russia appeared certain, was a fine example of personal sacrifice to principle and duty. Up to that time Salisbury had been looked upon as the strongest supporter of Lord Derby's peaceful policy. Lord Derby advocated peace for the sake of peace. "Peace," he said, "was the greatest of British interests." Lord Salisbury was believed to be a pro-Russian, or at any rate a friend of the Eastern Christians. He had just recommended us all to use "large maps" to cure our Russia-phobia. He had shewn himself among the sternest accusers of Turkey when acting as plenipotentiary for England at the Constantinople Conference. Yet on April 1st, 1878, he took Lord Derby's place as Foreign Secretary, and the very next morning issued the celebrated Salisbury Circular to the powers of Europe, which appeared to this country and to Europe at the time, a preliminary and a pre-justification of war. To those of us who followed Mr. Gladstone on that question at that time, it seemed as though Lord Salisbury had sold his soul to the devil for power. But we had not then learned Lord Salisbury's faculty for making graceful concessions. The secret history of those times remains to be written. Some day it will doubtless be known whether Lord Salisbury sold the devil, or Lord Beaconsfield, or both. He certainly sold Lord Derby, and preserved his own soul from the guilt of making a war with Russia. We know he went to the Berlin Conference with the Schouvaloff memorandum in his pocket, and peace, with or without honour, practically assured. The premature publication of this document by the *Globe* in May 1878 almost spoiled his complicated game, but he was equal to the occasion, and at once

repudiated the whole business. He declared the published document to be "wholly unauthentic, and not deserving of the confidence of your Lordships' House," although a few days later the Duke of Richmond, during Lord Salisbury's absence at Berlin, was forced to acknowledge that "it was furnished by some person who had access to papers that were confidential." I have gone into this dramatic episode in the most important crisis of Lord Salisbury's public career to show by the most conspicuous example, how far he, a man of piety and, I believe, scrupulous honour in all his personal relations, was superior to mere bourgeois morality in matters of State.

The death of Lord Beaconsfield in 1881 left him the real leader of the Tory Party, for Sir Stafford Northcote, who shared with him a sort of "dual control" during Mr. Gladstone's ministry of 1880, was easily brushed aside when it became a question of the leadership in a government.

During the period of seventeen years, from June 1885 to July 1902, Lord Salisbury was Prime Minister for thirteen years, and he finally resigned, in the fulness of his political power, for personal, and not public, reasons. While in office as Premier, he also held during almost the whole duration of his two last and long ministries the office of Secretary of State for Foreign Affairs, and he chiefly occupied himself, although he by no means buried himself, in the business of this department. Excluding the two years in which he held the seals of the Foreign Office, from 1878 to 1880 under Lord Beaconsfield, which were succeeded by Mr. Gladstone's second ministry and by an interval of an opposite policy, for nearly twenty years the foreign

policy of this country was personally controlled by Lord Salisbury, as it had never been controlled by any other single individual from the time of Chatham, if not of Cromwell. The Foreign Secretary was able to consult the Prime Minister, and the Prime Minister alone could control the Foreign Secretary. Probably the Queen was the only person in this country he permitted to influence him in his department.

The note of his foreign policy was struck early in his official career, when in 1879 he described the alliance newly made between Germany and Austria, which afterwards developed into the Triple Alliance, as "glad tidings of great joy." It was in the first place, and above everything a pacific policy, and in the second, and very secondary place, a pro-German policy. It was natural that the man who was opposed to the liberation of Italy, and protested in 1871 against the grant of a self-governing constitution to the Cape—as his nephew did against a similar grant to the Transvaal Colony in 1906—should sympathise rather with the more despotic governments of Eastern Europe than with the French and American Republics. The subservience of this country to Bismarck during Lord Salisbury's rule, which appeared to many of us at the time to be humiliating, was probably due as much to sympathy as to weakness.

But judging of his foreign policy as a whole, in my opinion England has great reason to be thankful to him for his steady pursuit of peace; for he did not regard peace as a negative thing—the mere absence of war, he "followed after the things which made for peace," and one after another he removed those things which might in the future make for war. Probably no man

but a strong conservative minister with a reputation for pride and patriotism, could have successfully carried through the long series of negotiations, which ignorance of the questions combined with party spirit, prompted his opponents to sneer at as what they ironically termed "graceful concessions." Will anyone venture to say to-day that the improvement in our international relations has not justified the concessions to France, in Tunis, Madagascar, and Morocco; to Germany in Zanzibar and Heligoland; to America in Vancouver, and the rest of them?

To my mind the conduct of Lord Salisbury on one supreme occasion stands out as heroic—an occasion on which he, by true courage and skill, saved his country and humanity from the greatest of conceivable calamities. I allude, of course, to what is known as the Venezuelan incident.

We had a miserable little controversy with the Republic of Venezuela which had begun in the Spanish colonial days, and had dragged on from 1795. Lord Salisbury had refused to submit it to arbitration, not because he feared the result or objected to arbitration, but because the business was too petty for such a cumbrous and magnificent procedure. Suddenly, on December 17th, 1895, President Cleveland sent a message to Congress in which he stated that this matter must be immediately settled, and that *he* intended to appoint and send out a Commission to settle it. A claim more arrogant, an insult more unprovoked, and one more impossible for any self-respecting nation to take lying down it is impossible to conceive. I regard the action of Mr. Cleveland and Mr. Olney, who raised the question from the dead simply as a

contemptible election manoeuvre, as perhaps the wickedest action committed by man in our time. It not only made the unspeakable calamity of a war between England and America a possibility, it appeared to make it a certainty. Those two malefactors could have had no other expectation. Had Mr. Gladstone been in office, I do not think the country would have permitted him to refuse to take up the gage of battle thrown down—I do not think he himself would have hesitated for an instant. In this exciting and difficult crisis, how did Lord Salisbury act? He did not act as a high-spirited diplomatist and minister. He did not act as any known sort of diplomatist and minister. He acted as a Christian saint. He turned the other cheek to the smiter, and the country submitted itself, and permitted him as it would have permitted no other man to do it. But it was not in the spirit of a Christian saint he did it. It was done with the most superb aristocratic insolence. His manner and his despatches shewed it between the lines, and it was easy to read between the lines more contempt than indignation. This sentiment was very legible: “These ignoble persons who emerge from obscurity in democratic communities and return to obscurity, are not to be treated as the monarchs and statesmen of Europe. They are of a different kind. They must be humoured. I refused to arbitrate, but if they insist, I will arbitrate. Their opinion of my dignity or consistency is a matter of entire indifference to me. But I will not have this war.”

Lord Salisbury's devotion to peace was sincere. It is impossible to doubt that if Mr. Chamberlain had been at the Foreign Office and Lord Milner at Washington we should have had a most “just” and most “inevitable”

war with the United States. I think it may also safely be held that if Lord Salisbury had been at the Colonial Office and Lord Pauncefote in South Africa, we should have had no South African war.

It is to be observed that aristocratic as Lord Salisbury was in theory and policy, neither he nor his family, including his nephews, lived the life, nor pursued the pleasures of his class. Neither he nor they were or are "barbarians," although they live their lives almost exclusively in the "barbarian" class, and all their sympathies are with it. They live the life of the intellectual upper middle class. They have unaristocratic tastes, both literary, artistic, scientific, and in their recreations. Lord Salisbury took his pleasures, not in the hunting field, or in shooting either tame pheasants or big game, but in the laboratory, as his nephew prefers to take his at Bayreuth or on the common links. Lord Salisbury was in his class, and for his class, but he was not of it. With the rest of the world his class had its share of Lord Salisbury's contempt for all earthly things, but, with regard to it, his contempt was of a kindly and tolerant sort, just as it was for the proper and suitable amusements and occupations of the dependent classes, and shewed no trace of the bitter flavour of the like sentiment towards the intrusive elements that disturbed the old order.

In his lifetime Lord Salisbury did some wise things, and said many clever and foolish things. How did he fulfil his mission? How did he perform the thing which he appeared to think he was sent into the world to do? Was he a force to stem the flowing flood of democracy, or was he simply the wielder of a little broom against the force of the Atlantic tide? By the answer to this

question he must be judged as a successful or unsuccessful man, in the main object of his endeavour, through life. I think the answer must be that, on the whole, in spite of some defeats and retreats and graceful concessions, in defence of his ideals and his order, he served his generation well. When he came into the leadership of his party and the House of Lords, the latter had just received two staggering blows, both from the not unfriendly hands of Mr. Gladstone; the abolition of the Paper Duty in spite of their veto, which ended the last of their pretensions to interfere in national taxation, and the abolition of Purchase in the Army, by Royal Warrant, over their heads, and in spite of their veto. To those of us who can remember these events, and I can remember the last of them, it seemed as if the old edifice was crumbling fast into ruin. To change the comparison, these two blows it took lying down, and each defeat appeared to leave it less power to resist the next attack. But for the last thirty years, the decay of the House of Lords has been at any rate arrested, and we are preparing to face the next attack with more doubt than our fathers would have felt. In the eyes of the nation, in the eyes of the Empire, in the eyes of the world, the House of Lords looms larger than it did. I think it cannot be denied this is due to Lord Salisbury—partly to his leadership, to his cool judgment as to when to retreat, as in the cases of the Irish Church Bill, and the Reform Bill of 1885; and when to resist, as in the case of the Home Rule Bill of 1893. But chiefly it is due to the imposing personality of Lord Salisbury himself, and the fact that during by much the greater part of the last twenty years, the most prominent and powerful man in the country ruled the nation from the

House of Lords, and held his great office by virtue of his place in that Assembly. A House of Lords, inspired and controlled by Lord Salisbury, their own man and their natural leader, was a respectable and influential body by virtue of that fact. A House of Lords in the pocket of Mr. Balfour is altogether a different thing, it is a House which has already abdicated its position as an independent estate of the realm. And the whole difference is the difference between a House of Lords with Lord Salisbury, and the same assembly without him.

GLOUCESTER, U.S.A.

YOU sent me to Parliament to represent you, but you did not send me to America to represent you. However, on one occasion I did venture to appear as the representative of the ancient city of Gloucester. Of course, as most of you are aware, I allude to my visit to your daughter city in New England in the State of Massachusetts. I did not venture to represent you without warrant, for I carried formal introductions and a formal address of greeting to the Mayor of the City of Gloucester (Mass.) from your Mayor and Town Clerk, signed with the seal of the Corporation of the City.

And before I tell you how I fared I should like you to realize what the City of Gloucester (Mass.) is. I think this should be a subject of interest to you, because it is a tie of blood that binds us to the Gloucester of New England. This is not usually the case with cities of America which bear old names. The Dutch City of New Amsterdam, which is now called New York, has nothing to do with Old York. I believe its present name is simply a compliment to a Duke of York. And of course Troy has nothing to do with *Asia Minor*, nor has Bethlehem with Judah. But Gloucester in Massachusetts Bay was settled by men from this City and this neighbourhood. That is historical.

Now what is this daughter of yours like? Well it is not a gigantic mushroom like Chicago. It is not a mushroom at all, and it is not a giant, in fact it is not quite as big as its mother yet, although it is 300 years old. It is situated in the County of Essex on the North of Massachusetts Bay, sheltered by Cape Arno. The country round it is pretty and thickly wooded but not particularly grand in its natural features. The open Atlantic lies before it, and the great Atlantic rollers dash upon the sands of the bays and the picturesque rocks of the headlands in a way you can form no conception of, if you judge by the Bristol Channel. The surf bathing is fine and sometimes a little dangerous. The City is more picturesque than newer American towns. It has good streets, good public buildings, comfortable private houses, no slums and not much real poverty. On the other hand it has no manufactures or smoke, and no millionaires. Its great industry is fishing. It has the finest fleet of fishing boats, and probably the finest fishing population in the world. It is the scene of Rudyard Kipling's novel *Captains Courageous*. Gloucester is proud of one thing only, or rather one thing chiefly—its antiquity. It will be 300 years old this year—not 300 years as a City—but 300 years as a settlement of Englishmen. Looking at the vast antiquity of our old City, 300 years may not appear much to you, but in America 300 years carries us back to the beginning of things. Young as she may appear to you Gloucester, and not Boston or Plymouth, is the Mother City of New England. I admit that far away in the South in Virginia a settlement had been made a year or two earlier, but the first Englishmen who settled in New England were the Gloucester men, who settled in New Gloucester

about 1602. The Pilgrim Fathers did not land at Plymouth Rock until 1626, and Boston cannot date back beyond about 1630. In the history of the world I think we may claim that this is a momentous event. It is New England that has made and given its character to the United States. And the settlement of New England by men of English race and speech was begun by men of Gloucester. This is an achievement of which we may well be proud. I confess I was ignorant of this great distinction claimed by Gloucester, but both the Town Clerk and City Treasurer assured me that their local records were convincing on this point. A day or two later I was dining with some men in Boston, who rightly claim descent from the earliest settlers, and they disputed the claim of Gloucester, but the following day my host of that night called at my hotel to say he yielded the point. He had been looking into old records and Gloucester's claim must be admitted.

It is not easy for us to estimate the courage of those old Gloucester men, who crossed the 3,000 miles of the wild North Atlantic in their 100 ton ships, and planted themselves first and alone to make a new home in an unknown land. They had to use their axe and spade with their gun at their side, and they braved the poisoned arrow and tomahawk every day of their lives. From the first they were great fishermen, and I fear we must admit they added a more questionable trade. Perhaps you don't know that in earlier days than this our Gloucester men were very expert and celebrated smugglers. Well the men of New Gloucester went one better than that and were terrible pirates. If they could meet with a Spanish or French ship, I fear

they never asked whether we at home were at peace with France or Spain or not. Gloucester was not a Puritan settlement. The majority of the first members were members of the Church of England, but after a few years Congregationalism seemed to be the prevailing form of Church Government. It never was noted for its religious fanaticism and did not go in for witch burning as the neighbouring city of Salem did.

Since that time they fought bravely against us in the War of Independence, and we are none the less good friends now.

My wife and I arrived at Gloucester on a bright cold November morning. I found a carriage waiting to take us to the City Hall, and there we were received by the Mayor, City Treasurer, the Town Clerk, the principal members of the City Council, and, of course, the press ; for Gloucester, though it is a smaller city than this, has three newspapers. I presented to the Mayor the address from our Mayor and City Council and gave him the other messages I was charged with, and he made a very friendly and kind reply. He showed me all the communications he had received from Old Gloucester, and, in particular, that very beautiful album containing views of the Old City, which you sent them ten years ago, and he told me that every year many visitors came to the City Hall to see it. And then I had to give them a description of our Old City, and our old world ways. I think not one of the men before me had been in Europe, and what interested them most were our quaint and picturesque customs and costumes. I described our Mayor and Sheriff and Town Clerk in all their glory, the chains of office and the swords of state, the cocked hats and cap of maintenance. I told them of our Lord

High Steward and of our lamprey pie, and they sighed to come and see it all. In one particular I think I disappointed some of them. I was obliged to admit that old as we are, London, York and Winchester did get ahead of us in the matter of coming into being. They are the eldest child, and I think they would have liked to prove to be the eldest son of the eldest son. Altogether we had a pleasant and interesting time together, and after my wife and I had taken lunch with the Mayor we were driven through the town and taken to see the largest and most advanced fish curing establishment in the world. As we passed along the pleasant shore, through a park, just outside the town, we were made to descend and stand on a little rock stretching out into the Bay. "On this rock," said Mayor French, impressively, "or within a few yards of it, the first English settler landed," and he felt and so did we all that it was a memorable spot.

When we separated it was with mutual assurances of goodwill, and I ventured in your name to promise a hearty welcome in Old Gloucester to any representative of the Daughter City who might ever come to visit us. My wife has this week had a letter from the Mayoress to say that her husband has been re-elected by a large majority, and that the pressure of the election had prevented him getting a new photograph of himself taken to send to our Mayor—but it is coming.

The American papers noticed our little celebration, not only the local prints but those of Boston, New York, and other places, very sympathetically, and their accounts had such headings as "Hands across the sea," "Old Gloucester to New Gloucester."

All through we had a very pleasant time and one not without profit, for whatever tends to strengthen the ties of blood and friendship which bind the two great branches of our common stock is surely an advantage to both, and to the world at large.

CONSCRIPTION AFTER WAR

Is the system of voluntary military service in this country discredited by the experience of this war, and is it doomed ?

This is a question we have to ask and to answer. It is a question all are asking, and some are making haste to answer. The failure of the voluntary system is confidently assumed to be proved by those who have always predicted its failure, and doubt appears to have entered into the minds of some who have hitherto opposed any form of conscript service.

I make the assumption that there is not, and never has been, a party which opposed conscription *on principle*, except that handful of people who oppose all war on principle, the principle of non-resistance. We have opposed it hitherto, as being unnecessary for an island power in command of the sea, but we admit the necessity and the duty in the case of the continental states. Prove to us the necessity for ourselves in our circumstances and we will accept the duty. Prove to us that voluntary recruiting is failing to give us all the men we need *for this war*, and we will not hesitate to give the Government every power necessary to make up any number it may ask for by compulsion *for this war*, just as the Northern States did during the American War.

This war must be won, at any cost of money, of men or of consistency. About that we are all at one. But it is well to keep our minds clear as we go along. A compulsory levy for an emergency is one thing, a permanent system of universal service is another. Neither may be necessary, both may be necessary, but one if necessary does not necessarily imply both. Let us keep an open mind and if possible a clear one.

And here I would say, as one of those who have hitherto opposed conscription, that we resent and always have resented any aspersions upon our patriotism as a stupid begging of a question, we have at any rate hitherto considered a disputable one.

I do not now, as an ignorant layman, attempt to answer the question, I am simply putting it, with some of its implications, to myself and other ignorant laymen like myself, to answer afresh in the light of recent experience; for the responsibility for the final decision for the provision for the nation's needs ultimately rests upon us ignorant laymen, and we cannot delegate our responsibility to any professional body of men.

We have of course to make use of the professional expert, of the great body of professional knowledge and experience. The art of making use of the professional expert, while keeping him in his proper place, is one that has been fairly well understood by the English people and the English Parliament for some generations and I trust is not forgotten. In consulting our military advisers, we must retain our independent judgment and common sense as we cannot help retaining our ultimate control.

To make real use of the professional experts, we must restrict them to the professional questions we and not

they propound, remembering that policy is our part, and methods of carrying it out theirs.

When Lord Roberts, for example, told us we must have a military system, "not only capable of facing Russia on the Indian Frontier but also capable of dealing with the United States in defence of Canada," and at the same time threatened us with a naval expenditure of "sixty or eighty millions in the near future," and added that "it is no use gasping," he was expressing opinions which, as a private retired gentleman, he had a perfect right to hold and express, but they were on questions entirely outside the range of the professional expert's functions. And it was for him to consider whether the publication of such views on matters of public policy added or detracted from the value of his advice on matters technically military.

The truth is military opinion, "militarism" is the same all the world over. War is the object to which the soldier's life is dedicated. It must be and is the object of his wish. The chief of a staff, who has elaborated a plan of a hypothetical campaign, perhaps in co-operation with the staff of an allied power, must feel, when he sees peace becoming more and more assured, like an artist who sees his masterpiece destroyed, or an author who watches his manuscript consumed in a fire. It is not only natural but right that it should be so. The soldier would be of no use to us if it were otherwise. We want our house dog to be savage, and to hear burglars and tramps in every passing foot-fall. Only we want him to guard our house; not to rule it.

I say militarism is the same all the world over. General von Bernhardt and Lord Roberts both quoted Moltke's dictum, "a world without war is a dream

and a bad dream," with approval. If Bernhardt said, "In war a true civilized nation finds its highest expression of strength and vitality," if he told us, "war is the father of all things," and "war is a biological necessity," Lord Roberts on the other hand told us "that war is a terrible instrument for the realisation of the world's serenest ends." If Bernhardt pointed to England as the enemy with whom Germany has to reckon, Lord Roberts, about the same time, long before the war broke out, spoke of Germany as "the noblest and on the whole the worthiest enemy that in her fateful career England has ever had, a noble and high enemy, a thing to thank God for, fasting." In using such language as this, Lord Roberts was not only uttering admirable rhetoric, but expressing an admirable professional sentiment. Germany would have been of no use to Lord Roberts as a high and noble friend, and Lord Roberts would have been of no use to us peaceful citizens if he were other than he was. We accepted him, we honoured him, we even often thanked God for him, if not fasting, at least at our feasts.

Militarism, we therefore see, is not a German thing or an English thing or a French thing. It exists in every nation, and in every nation it is the same thing. It is not even a wrong thing, but a right and a necessary thing for the military expert and the military profession; and will continue so to be as long as a military expert and a military profession exist.

The difference between this country and Germany, the difference that made what we called "German Militarism," was that there the military mind was dominant, here it had been subordinate. When Lord Roberts exhorted us to be prepared to garrison and hold

the 49th parallel of north latitude across the North American continent against the armies of the United States, he spoke for himself alone, but when General von Bernhardt said, "World power or Downfall," he was speaking what we know now to have been the mind of the civil as well as the military power, of the Kaiser and the people, as well as that of the General Staff. That was the difference and the whole difference between German and English militarism. It was a quantitative difference and a difference in influence ; not a difference in kind.

It is now the pressing question of the hour whether we have not been wrong and Germany right, whether we shall not have to reverse our policy and adopt the continental method of compulsory service. This question we are all considering afresh in the lurid light of war.

When we entered into this war, we entered into it without any violent feelings of hostility to the German people. Every speaker and every newspaper declared it was German "militarism," *i.e.* their military ideal and all hope of realising it that we must destroy and destroy for ever, and visions were projected before us of a new Europe in which public law would be enthroned instead of brutal might, and armaments would gradually be diminished as all possibility of using them for national aggrandisement gradually faded away.

Are we to renounce the hope of seeing the fulfilment of this vision ? If the end of this war is to be the establishment of compulsory and anything like universal service, then we must renounce it. We may have conquered the German people but we shall not have conquered and destroyed German militarism. It will

have conquered us. Instead of the reign of peace and public law, we shall have increased armaments, increased burdens, militarism "inexcelsioris" and probably renewed war. The strong man armed will indeed have been cast out, but only that a stronger than he and one better armed may succeed him. If we have to adopt conscription at the bidding of the experts, let us count the cost.

But "salus populi" before everything. Let the military expert prove his case, let him prove that in the new conditions after this war national independence and safety can only be secured by universal or some sort of compulsory service, be it so, let conscription come.

But let this proof be proof after careful examination of the new situation. Let us cast aside ethical considerations, let us cast aside financial and social conditions and consider simply the safety of the state in a world of intensified and unbridled militarism. Even then I have some doubts to be solved, some considerations which suggest to my mind that after all conscription may not be the way even of safety, but the way of danger and perhaps of Imperial destruction.

As I have said, the inexpert but omnipotent layman is in this dilemma, in seeking the means to carry out his duty and his policy, he must call in the military expert, well knowing as we have seen, that this expert's policy is not his policy but something quite different; his policy being to end the supremacy of militarism in Germany and Europe, and to live a quiet life hereafter, and the expert's policy being to transplant and establish the supremacy of militarism in this country. With a consciousness of this fundamental opposition of ideals, the ignorant civilian consults his military experts

and they tell him, with almost one voice, that he needs and must have a national compulsory service. Hitherto his reply has been little more than that he did not like national compulsory service. It was opposed to his traditions and he would not have it. But this war has given us all a shake. Our comfort and our ease, our prejudices and our consistency must go if we are now convinced that they conflict with national security. And it is in this spirit, we re-examine the basis of our former objections to conscription, using our own common-sense to correct any bias in the professional advice we receive.

And first we ask, what light has this war thrown on the most important of all questions of war for us, the possibility and likelihood of the invasion of this island? The inexpert layman knows that this is a question for the expert, and mere civilian opinion is worthless, but he does not need any assistance in the selection of his expert. He can see that this is a naval question purely and simply and no opinion but naval opinion is worth anything upon it. The soldier's opinion in particular is worth something less than nothing, for he, on this matter, is not only an equally ignorant layman, but has naturally a professional bias in a controversy which involves, among other things, his own relative importance in the scheme of the universe. The ignorant layman has more confidence in naval experts, for unlike military experts, their ideals are the same as his own. They are looking for nothing more than the security of our coasts and supremacy on the seas, and he is looking to them for no less. Therefore speaking as one of the inexpert civilians, I have always been able to sleep in my bed in comfort on the assurances of such experts as

Lord Fisher and Sir Cyprian Bridge with regard to invasion of this island by sea. In two respects my sense of security from invasion has been increased by this war and in no respect diminished. The efficiency of coast defence against attack appears to be greater than was anticipated, and the efficiency of our Territorial Army of Defence has been demonstrated in a manner which should cause some of its critics to regret their attacks. From the point of view of security against invasion therefore, the case for conscription appears to have grown weaker rather than stronger. What we have to look forward to, and be prepared to consider, is a new situation that will arise at the end of this war, presuming as we all do that it will end in victory for the Allies and that our supremacy at sea will be unimpaired. The position of this country probably will then be one of influence in Europe unparalleled in her history, even in 1815. She will have a victorious army on continental soil of at least a million veteran troops. Her economic resources will be scarcely impaired, in fact in some respects they will be consolidated for war purposes. While all continental nations will be exhausted, she will be getting her second wind. The wildest dreams of the extreme military party will have been fulfilled.

Then will arise the crisis of the controversy, conscription or voluntary service. Shall this great army, which has been raised for the term of this war only, be permitted to dissolve as the armies of the Northern States of America were dissolved into the civil community and no effort be made to continue or replace it?

We may be sure the military party will oppose and find plenty of fresh pretexts for opposing what they

will describe not only as an abdication of our rightful station but an avoidance of our national duties.

Then will be the time for our inexpert civilian to keep his head, and consider coolly whether, even apart from cost, a conscript army, a "Nation in arms" would actually add anything at all to our power for war.

For a time doubtless it would do so. A British Nation in Arms, added to the existing Naval and Mercantile supremacy, would be a new thing on the earth. While a continental nation in arms can do one thing and one thing only, and that is march across a co-terminous land frontier, if the opposing nation in arms is not able to stop it; our army would not be tied to the soil. It would have an unexampled and devilish mobility. It could strike anywhere. It would be such a weapon of offence as the world has never yet seen.

What nation but Great Britain could gather such an army as we now see from the four quarters of the earth, convey them across oceans by her own mercantile marine, shepherded by her own navy? It is no wonder that the proposal of a power such as would be possessed by this country, were we to add a continental army to a supreme navy, is a fascinating one to our military expert.

And it is just here the military mind fails, and the common-sense of the civilian must come in. I have not found one military advocate of conscription with imagination to conceive what would be the inevitable and rapid consequence of such a state of affairs. He does not see that it would end our naval supremacy, which would have become intolerable to the rest of the world.

The British claim to be supreme on every sea is no small claim. The British Empire, the sovereignty over

all the vast spaces on the map of the world, marked red, is no small thing, but when we, in this small island, claim also to rule the much vaster spaces marked blue, it is on the face of it a staggering claim. But we do make it, and make it good. Upon what tenure do we hold this naval supremacy? On our wealth, our courage, our aptitude for the sea? True; but all this would not avail, if beyond and below it all was not the consent of the civilised world. It may be a tacit consent, even an unwilling acquiescence, but it is there all the same, and without it our naval supremacy would be brushed aside as a cobweb. Our navy rests upon the forty five millions of these islands. They have to build it, man it, pay for it. But the population of other civilised nations having navies (excluding China), is at least four hundred and fifty millions, at least ten to one.

And at present these nations give their tacit acquiescence to England's rule of the ocean, on tacit conditions never formulated, but universally felt. The first is that England is not to be a great military power. The second, that England is now, at last, generally believed to be a non-aggressive power. And the third is that England is a Free Trade State, and, so far as commerce is concerned and the British Parliament controls, she hold her Empire in trust for mankind.

Carry out the military ideals of the military party, and all this would be changed. Our relations to the world would be changed. They see that and desire it. But the world's relations to us would be much more seriously changed. *That* the professional mind does not seem to be able to see. Such an England as they desire would be universally regarded as a menace to the world.

And what would be the reply of the nations? It would be a reply similar to our reply to continental armies. To the continental armies, we have replied by the British Fleet. To a British Army on a continental scale, they would reply by continental fleets. British naval supremacy would be regarded as no longer tolerable. The universal opinion would be that the overwhelming sea power of England must be ended, and I believe by some combination it would be ended.

At present we hold a secure, commanding and unique position. We hold it not only by the strength of our own right arm, but by the securities we have given to the world that this position will not be abused. It is this we must consider.

I have carried this argument far beyond the range of the professional expert, as expert, into the upper levels of higher policy which are the province of the civilian citizen. It is on grounds of the highest national policy that, on re-consideration, I reject conscription, not because it is costly, not because it is otherwise burdensome, not because it is inconsistent with my past position, but because I believe it to be a path, not to increased war power, but to destruction.

THE NATIONALISATION OF MINES AND RAILWAYS

THE question of the Nationalisation of Minerals is coupled with that of railways. In the public mind the latter is admitted by all to be well within the range of practical political discussion. But it is the minerals, not the railways, I wish mainly to deal with.

Concerning the railways I have little to say which is not common property—and commonplace.

The question of the Nationalisation of Railways is as old as railways. It was considered and adopted in principle by Parliament in the earlier Railway Acts, even when Conservative Governments existed, and such Conservative ministers as Sir Robert Peel and the Duke of Wellington were in power.

The absorption of the ownership of the railways by the State has not taken place, or even begun to take place in this country, or in the United States, but it has proceeded far in the rest of the world. The adoption of a policy of nationalisation cannot be considered a sign of an advanced opinion, in the countries which have adopted it, or as in favour of socialistic absorption of other industries, or of industries generally by the State. In Europe, the reactionary Governments of Russia, Austria and Germany were those which had followed this policy

earliest and farthest—while at the other end of the political scale the Governments of our Australian colonies have nationalised 96 per cent. of the mileage of their railways. We may assume strategical considerations largely governed the decision of the former group, and a desire to be free from the direct control of foreign capitalists that of the latter group.

In this country we are free from both motives and may consider the question as a purely business proposition. From the point of view of the trader and passenger, I do not think there is much more to be hoped from nationalisation than from our present system of State regulation. From the point of view of the railway employee there is certainly something to be hoped, although his hopes are pitched much too high; while from the political point of view, that of the public, as opposed to the railway employee, there is something to be feared, as our Australian colonies have found. From the point of view of economy, my experience as a railway director has shewn me that much is to be gained by unification, and from that of efficiency and enterprise that same experience would lead me to choose the management of a Government department under Parliamentary control, to that of the average board, served or guided or bossed, as the case might be, by that diabolically clever, but narrow and hide-bound product of the railway mill, the general manager.

Upon the whole, I am in favour of nationalising British railways, but I do not look for any important effects from such an operation, either to our National finances, our industries, or the condition of our railway servants. The railway industry is and always has been so subject to State regulation, in this country, that the change

would be little more than that of assuming the financial responsibility where we have already the real control.

But the nationalisation of our mines is a very different, much more difficult and, as a study, a much more fascinating question.

In treating it, I shall consider the coal mines only. (1) Because they are far more important than all our other mines put together ; (2) Because the nationalisation of coal mines is a measurable and, I think, feasible proposition, while that of any present or possible appropriation of the comparatively small, very varied and generally very speculative metalliferous mines appears to me to be a most uncertain, and relatively unimportant matter ; and (3) Because I know something about coal, and I know nothing about tin or lead, or quicksilver or radium.

Having defined mines as coal mines, I think we must define the term nationalisation as applied to coal mines. Does it merely mean the assumption or resumption of the ownership of all the coal measures now being worked, or now unworked, upon some terms, from the owners of the surface ; and the State then merely becoming the universal mineral landlord, in which case its function would be to grant concessions to capitalist organisations and collect royalties ? or does it mean both that, and the undertaking of the *working* of all the collieries existing at present, and the future commercial development of our national mineral estates ? These are separate questions, one including, and much larger than, the other. As generally understood, at any rate by the great labour organisations, who in the Trades Union Congress support nationalisation, it means the latter.

For convenience I will consider the former, both as a separate proposition and as a distinct part of the larger proposal first.

In this country, the minerals under the soil are the absolute property of the owner of the surface to sell, if he can, or to keep back if he chooses. I say sell, not let, for a royalty agreement is not, properly speaking, a lease, but a sale of the coal to be extracted at a given minimum annual rate over a term of years. When coal is once extracted, it can never be replaced. It is common to refer to the 100,000 million of tons estimated by the last Royal Commission, as the probable extent of our unused coal measures, and to point out that we have three or four centuries' supply at the present rate of consumption. I admit this is probably a rather conservative estimate of our undeveloped resources. But thirty or forty or fifty years will see the end of most of the collieries upon which we now depend, and we shall have to go to deeper, thinner, more difficult and more costly seams for our supply. This process is going on now. The last thirty years has seen the natural mining conditions alter greatly for the worse ; we are now going to deeper, thinner and inferior seams. This is proved by the continuous reduction in the annual output per man employed, notwithstanding the constant improvement in the methods of extraction, hauling and winding of the coal, and in the general equipment of collieries. While in all manufacturing trades the output per man increases and the cost per unit diminishes, in coal mines the output per man diminishes, and the cost per unit (per ton) increases. It is always necessary to remember that coal is a wasting national asset and in using it we are consuming our capital, and this must

be one of the governing considerations in deciding whether it is wise, or, perhaps, necessary, to assume control of its exploitation. In the United Kingdom this vital necessity of our industrial life is the private property of a certain number of lucky individuals, who happen to own the surface. Our colonies have followed the English example and given the mineral rights to the owners of the surface. In the *United States* the surface owner not only owns the coal, but all minerals, including gold and silver, which even our land-owning Parliaments have left to the Crown. *Hungary* is the only other country which I know of, in which the coal is the property of the surface owner. In Prussia and most German States the property in the minerals is vested in the State.

In *France* the ownership of the coal is vested in the State, which grants the working of it to concessionaires.

In *Belgium* they have adopted the French law little modified.

These are the principal foreign countries, and the only ones it is necessary to consider, either as examples or competitors.

Whoever may be the legal owner of the unworked coal measures, it is evident they are a property which in its working will yield an economic rent to such owner.

Royalties, with a small exception, which I shall allude to presently, follow the law of rent of land; they are a rent, not a tax. Allowing for the exception I am about to mention, they have obviously no effect on the price of coal in the market, and they have no effect as far as they are justly levied, on the wages of the miners. Miners generally are of opinion that a reduction of royalties would raise wages, and lessees

have frequently encouraged this idea by pleading high royalties as a ground for refusing to increase wages.

But it is clear that the price of coal is fixed by supply and demand, as is the rent of land ; that the average price must rise to a figure sufficient to cover the cost of bringing into the market the produce of the worst mines at the minimum royalty, just as the average price of corn must rise to a figure sufficient to cover the cost of bringing into the market the produce of the worst land in use for corn growing, at no rent at all. The only difference between coal and land is that while land is cultivated to a margin of no rent at all, coal is worked in practice to the margin of the customary *minimum* royalties, and in scarcely any case to a margin of no royalty at all. This customary minimum royalty of about 3d. per ton may be considered a tax upon the industry and enters into the price of the product ; and all beyond that is true economic rent.

If all royalties were reduced by the amount of the minimum royalties and those at the minimum were extinguished altogether, the advantage might reach the consumer in a falling market when the supply happened to be excessive. It may, however, be assumed that all royalties beyond the minimum royalty have no effect on wages. If all royalties were reduced by the amount of minimum royalties, the miners' unions might by prompt action intercept the benefit from the consumer—otherwise under existing sliding scales, they would actually suffer.

We must therefore consider the royalty system as a natural indestructible property, which somebody must own in every country—it may be the State, it may be private individuals—and which does not interfere with

the development of the industry or tend to repress wages. It is not an abuse to be remedied by nationalisation. In this country the present annual value of this property is about £8,700,000, or a little over 7d. per ton on the coal raised.

I presume we all agree that it ought to have been reserved as the property of the State, but has not been so reserved. But in private hands, it is a particularly taxable form of property. For myself, I expressed my entire approval of the special and additional income tax of 1s. in the pound on mineral royalties, imposed by the Budget of 1909. If royalties do not act in restraint of the industry, still less does a tax on royalties. No fiscal reason can be urged against a much higher tax, though doubtless an equitable plea might be urged against the complete absorption by taxation of a property so singularly taxable.

But foreign countries which have reserved the right to the ownership of the minerals to the State, have done little better from a fiscal point of view than we have done; at any rate, since we put the shilling in the pound duty on the amounts reserved as royalties. When they have imposed royalties, they have been at ridiculously insufficient rates, and not graduated in proportion to the value of the product to the concessionaire. The net result has been that while the economic rent of the coal measures in England has gone into the pockets of the owners of the surface, in the continent of Europe it has gone chiefly into the pockets of the concessionaires.

In France the State gets a fixed royalty of $\frac{1}{2}$ d.: not $\frac{1}{2}$ d. per ton, but $\frac{1}{2}$ d. *per acre*, plus a proportion of $5\frac{1}{2}$ per cent. on the "gross" profit, *i.e.*, really on net profit, but before deducting interest on capital. This

percentage amounts altogether to less than one per cent. of the value of the coal at the pit's mouth, while in this country the royalties paid to landlords range from six to fifteen per cent. The concessionaire takes the place and the profits of our mineral landlords. The surface owner (excepting in one district, St. Etienne's, where, curiously, the English system prevails), gets simply paid for damage to his surface, plus a small duty called *la redevance trefoncière*, and sometimes described as *homage*, a sum per hectare so small that it is not worth collecting, and is, in fact, seldom collected.

In Belgium the State gets a fixed payment of ten francs per square kilometre, plus only three and a half per cent. on net product calculated as in France. The surface owner has to be content with about one penny per acre.

In Prussia the State gets two per cent. on the total amount received for the coal at the pit, which would amount to something like an English minimum royalty.

The *United States* is simply England over again, only more so.

While Continental nations get for the State little more out of their public property than we get out of a small tax on the private property, the Continental system has one great advantage over ours, in that it retains the control of concessions in the hands of the State. This, although possibly a source of political corruption, has enormous mining advantages, especially in countries where there is minute sub-division of the surface.

On the other hand, the more scientific rack-renting of the lessee by the landlords in this country, by royalties ranging from 3d. to 1s. 3d. per ton, does tend to bring the inferior coals into use and to conserve our National

estate. If all royalties were abolished, the best collieries would make inordinate profits and be unduly stimulated, and our best coals would rapidly be worked out. Full economic royalties tend to a more prudent production and consumption of our coal resources.

From this brief survey of the royalty system, it will be gathered that it is not oppressive to the industry or those engaged in working the pits. It represents a real rent which someone will get and enjoy. It ought to be State property, but to become so, the State must confiscate it, or buy it back. The former course would not be in accordance with English habits. The latter perhaps would not be so difficult or costly as is commonly imagined. We may have 100,000 millions of tons under our feet, but no one can prove in a legal or logical sense that he owns a ton until it is actually "proved" in a mining sense. I have known people so certain about the existence of their coal, that they have spent £300,000 to sink a colliery, without taking the precaution of boring, only to find there was no coal there. Very little more than the coal already leased and being worked, which I estimate to amount to about five per cent. of our undeveloped resources, can be said to have a calculable commercial value to the owner of the surface. The coal at present leased and in process of actually being worked could, of course, be bought upon an actuarial basis, but this coal only. To the nationalisation of our minerals this would be the first step, and the next would be to obtain complete legal control over the future development of all the undeveloped coal fields, perhaps accompanied by some slight *homage* in the French manner to the owner of the surface, to be paid when the minerals are worked.

When we pass from the abstract argument in favour of or against the nationalisation or socialisation in some form of various industries, or all industries, to consider the nationalisation of the particular industries of railways and coal mines as commercial propositions, the cases are so different that the arguments in favour of State absorption in the one case appear at first in absolute contradiction to those used in the other case.

The argument in favour of the nationalisation of railways is that the change would be easy, and cause little disturbance to anyone, that the industry is so simple, and at present so well organised, that it could be taken over as a going concern without much friction, that even now it is so regulated and controlled by the State that it is a semi-State institution. The argument in favour of the nationalisation of coal mines is of precisely contrary character. It is that the letting and getting and distributing of our coal on the present competitive system is so extravagant, so wasteful not only of energy and cash, but of the coal itself, that in the interest of the proper development and use of our great national mineral estate, it ought to be unified and nationalised. Years ago a gentleman, who is now the permanent head of one of the great departments of the State, after conducting an extensive enquiry into various branches of industry, told me he considered the coal industry and trade of England the most primitive and at once the most mediaeval and anarchical of all our great trades. This is apparent from the first stage—the letting out of the coal for working. A colliery company secures a tract of coal from a land owner and sinks a pit. As time goes on it (the Company) may secure the coal under another piece of land, or, more

probably, purchases land near, but not co-terminous with their own leased property, say, a mile away. Now begins an interesting game, which I have seen played again and again. The intervening landowner or landowners begin to dream of royalties, and way-leaves, and water-leaves and air-leaves, and are apt to imagine they hold the colliery by the throat. But the colliery owner has many moves. He may outflank his expecting neighbour and secure another connection with his own property, or he may acquire land at the other side of it, and make another independent colliery. In either case the intermediate landlord is now at the mercy of the colliery—he must accept their terms under penalty of seeing his neighbours enriched by royalties, and his coal abandoned to remain for ever unworked in the seam. In these circumstances, he will probably in the end accept a price for his land, perhaps double its present agricultural value to him, but at the same time, not more than a fifth of the value of his coal to a colliery which is prepared then and there to work it. It is, therefore, true, as I have said, that even if we accept the probability or even the certainty of the existence of unproved coal under a man's land, it is doubtful whether he will prove to be the controlling owner of it when it comes to be worked. This system of letting coal results in collieries getting command of irregular, inconvenient and sometimes detached pieces of land. I have known coal drawn perhaps a couple of miles underground, which could be worked far more cheaply by a neighbouring colliery which was in other hands. The problems of pumping, ventilating and housing the miners are rendered far more difficult and more costly than they would be under a unified scheme of development,

applied to a whole coalfield or to the whole country. I am at this moment interested in the development of a small coal area which will be fully worked by two new collieries now being laid down which are in separate hands with separate systems of pumping, ventilating and working. Their properties are divided not by any natural geological division, but by an "arbitrary line," fixed by the ownership of the surface. This "arbitrary line" underground consists of a barrier of coal to be left unworked, and which may probably be left unworked for ever, forty-two yards across, nearly two miles in length and containing, perhaps, three quarters of a million tons of good coal. In this matter the French system of State concessions is much better than the anomaly of private ownership.

For the efficient and prudent development of the great National estate of our coal measures, it appears to me to be necessary that there should be some central control and direction which can only take the form of State Control.

It may be urged by those who object to State control that the defects of our present system might be remedied, and, in fact, are being remedied, by the co-operation and amalgamation of private capitalist organisations, and the larger scale upon which new undertakings are designed in fact by the coming into existence of a huge coal trust or of several huge coal trusts in the different coal fields. I think most people will agree that such an issue would introduce dangers of even greater evils than those at present existing. Further, the regular and scientific development of our coal mines would not even then be secured unless such Trusts were given coercive powers over the owners of the surface, powers

which we cannot conceive a British Parliament or any uncorrupted Parliament placing in private hands.

But it was not the confusion and waste in the production of coal which moved my official friend to characterise the coal trade as the most anarchical, primitive and unorganised of all our great trades. It was the manner of its distribution and purchase and sale. If you buy corn or cotton you know exactly what you are buying, and if your cotton in bulk does not come up in quality to the samples you have purchased from, a simple and skilled trade arbitration will make you the proper allowance to the thirty-second part of a penny in a few minutes. But there is no scientific standard of value in coal. Each colliery proprietor has to make his own connection of buyers and establish the reputation of his colliery on the name of his colliery. Every buyer endeavours to find out for himself which colliery of those available gives him best value. It is all haphazard. Coal is not graded, it is never sold on a scientific analysis, at least in England. Some foreign buyers insist upon a standard of purity applied by their own chemists. But this is not authoritative, it is not uniform, sometimes it is not honest, and the system does not work to the satisfaction of anyone. In England the Gas Companies are the only buyers who test their fuel which is their raw material scientifically. The whole trade is unorganised and its methods are primitive.

I think I have said enough to prove that the case for the nationalisation of mines rest upon a quite different set of considerations from that of the nationalisation of the railways. It rests upon a demonstration that some reform and reorganisation of the whole system is

an economic necessity, and as this fact becomes realised a remedy will inevitably be applied in some form. The only question for the future is, shall it be applied by nationalisation or by the consolidation of private interests into gigantic Trusts. The latter course has been adopted in Germany in the Westphalian field on the commercial side, so far as the sale and distribution of the product is concerned, and into this department of the business they have introduced more uniform and scientific methods of analysing and grading their coals than any we apply. But although free from the complications of our royalty system, and although their mining engineers are the best in the world, they have not yet succeeded even in Westphalia in unifying and co-ordinating their production in the pits.

We have not advanced on these lines nearly so far as Germany, and it is evident that the farther we proceed and the better we succeed on these lines the more difficult will become the process of nationalisation. In this country, however, the individualistic capitalist organisation, however powerful and wealthy, would be almost powerless against the surface owners to develop the coalfields of our country on the best and most economical lines. The perfect system, speaking only from the point of view of efficiency, would require that the mining authority shall have the ownership and control of all the coal measures in the seams, whether in process of development or lying undeveloped. Such a mining authority can only be the State. Therefore, while appreciating fully the difficulties of so enormous an undertaking, I am gradually becoming convinced that a State ownership of the coal measures, and a State monopoly of the production of coal for use

is pointed out as a desirable course, judging the question entirely from an economic aspect.

I have not treated this question as any part of the great problem of our political and social evolution, but as a practical trading proposition to be considered from the national point of view. Whatever may be our views upon the desirability of nationalising industry in general, I think this is a case apart. The due working of our coal mines equally with that of our railways is the foundation and condition of all our activities. But while the nationalisation of the latter may be wise, may be necessary, may be inevitable, but will be neither a revolutionary nor in reality very important matter, the question of the nationalisation of coal mines presents a much more fascinating problem, and opens up new vistas of reform, efficiency, security and revenue.

In conclusion, I should like to add that the political difficulty and danger I have alluded to in the case of railways arising from the misuse of their political power by a vast army of State servants, will not arise in that of the miners. For the mining population do not pervade the constituencies, but are, for the most part, segregated in their colliery villages, in districts where they hold the decisive voting power, and they are now represented in the House of Commons by men of their own class or selection in reasonably proportionate numbers.

SOCIALISM AND SOCIAL REFORM

THE Young Liberals are a body of enthusiastic politicians, and have brought enthusiasm and attached themselves to the Liberal party. Why did you do it? Is the Liberal party worth your enthusiasm? What does it stand for? Has it any real living and guiding principle? Has it a mission? Has it a future? These are the questions I want to discuss with you to-night.

There are people in plenty who answer all these questions with an emphatic negative—both Tories on the one hand, and Socialists on the other. Differing on every other point they agree in this opinion that the Liberal party is “played out,” that it will die, and cease to be, and that they will divide the inheritance between them. They unite in saying, and probably in believing, that the Liberal party is a thing of patches and compromises, a middle term, a mere buffer between two really living forces, that of property, privilege, and tradition on the one hand, and that which is the sworn foe of all these things, the force of Socialism on the other. These two forces are clearly alive, and, they say, the battles of the future will be between them.

Is Liberalism also a living thing, or is it true that it is only the spirit of expediency, opportunism, and com-

An address to the League of Young Liberals at South Shields.

promise incarnated into what has the false appearance of a living organism? This is the question which is before us to-night and it is vital. It is nothing less than the vindication of our existence; our right to live on at all; and unless we can answer it absolutely, completely, triumphantly, it would be better for the League of Young Liberals to dissolve and disappear, for the Liberal party would have no place in the future for it to fill.

I answer this question for myself without any misgiving whatever. I say that we, the Liberal party in England to-day, hold the key to the true path of progress for an advancing nation, not a limited, but a continuous and infinite, as well as a consistent and logical progress; on the other hand that progress under Tory guidance can be nothing but an illogical series of surrenders; and that progress under Socialist guidance is progress not to a high type of national life, but to a degeneration ending in national paralysis.

I believe that the principle and spirit, the prospects and destiny of the Liberal party may well command the service, and kindle the enthusiasm of the youngest and most ardent among us.

Consider, at what point we have arrived. We have carried vast schemes of social reform. We have made nothing less than a new England for the poor and for the working classes. What we have done for the aged is visible. It is now a matter of experience. What we have done for the sick and disabled and the unemployed the next few years will prove. But this is quite certain, that all the poor and the working classes have acquired a new and a vast stake in the country. Instead of being used when useful and cast aside when no longer useful, they have become the children of the

State. We have accomplished, not a revolution, not even a reconstruction, but a new social construction beyond the dreams of the most enterprising, the most sanguine, even the most visionary, ten short years ago.

I want you to note that this has been the work of the Liberal party. It will stand ever to their credit or their discredit. It has been conceived in Liberal brains, and born in a Liberal House of Commons. It has not been forced upon them. It has not been adopted from outside. No outsider can claim the credit or discredit of it. It has been evolved by a united Liberal Cabinet, and the whole party in Parliament have accepted it, and laboured days and nights, weeks and months, to make it the law of the land, and now it is the law of the land. I ask you to consider on what principles we, the Liberal party, have done all this. Where will they lead us? How far do we propose to go in the same direction? Do we ever mean to stop, and if so, at what point?

These questions are put to us on all hands, not only by the enemy who have opposed our legislation all along, but, in a spirit of remonstrance by timid friends, and in a spirit of mockery by Socialistic allies. The former, the right wing of the progressive party, say we have gone too fast and too far. They say we are sliding down the slippery slope to Socialism, and some who have been our friends are drawing back in panic. The latter, the extreme left of the progressive party, are the avowed Socialists. They disown our party and repudiate its name. They tell us plainly they have rather made use of us to advance their ends than assisted us to any clearly discerned ends of our own. Both agree that the logical conclusion of the course we are pursuing is the

complete Socialistic State in which all land, capital, and the instruments of production, distribution and exchange shall belong to the State—a conclusion which one party looks upon with dread, and the other with desire.

It is at this point I want you Young Liberals to do a little thinking. Let us ask ourselves whether we are simply preparing the way for the complete Socialistic State, and whether that is what we want ; or whether, as I hold, we are doing something quite different and something much better.

I have no hesitation in meeting this question fairly and squarely. I say that we Liberals are constructing, not a Socialistic State, but a Social State ; that Social Reform as I understand it is not Socialism as I understand it, and as my socialistic friends define it. That in carrying measures of Social Reform we are limited by a great principle which, however far we go, will always prevent us becoming a purely socialistic community ; and I say further that Social Reform will give greater advantages than Socialism to the individual without its disadvantages. This is a big claim. Can it be made good ?

Let us first see in what particulars what we are doing is the same as what the Socialists would do, and next what is the difference between us, and what is the great guiding principle of Liberalism which distinguishes it from Socialism, which will prevent us ever falling into the mechanical, stereotyped socialistic order which would be the end of enterprise and progress, and is political, and probably would be intellectual, death.

And first what is there in common between our reforms and those of the Socialists ? They are alike in

this : Social Reform and Socialism proceed alike by doing things through the State or the community which had before been left to the individual to do or not to do as he pleased. But I deny that to substitute common action for individual action in any matter whatever in which common action is better is the principle of Socialism. It is the principle of common sense. It is the principle of civilisation. I repeat that Socialism and Social Reform alike, consist in substituting the action of the community for the action of the individual, in doing things for the people as a whole which they had been left before to do for themselves. But I want you to see that this is not peculiar to us or to the Socialists. It is the principle of all Governments and all States in all history. It is the principle of civilisation. You must look for the principle of Socialism where I part company with Socialism farther on than that. If it is Socialism for the community of the State to provide pensions for its aged members, surely it is at least equally Socialism for the community of the parish to keep alive any and all of its members, regardless of their age, health, merit, or utility. Yet this Socialistic obligation has lain upon the community of the parish for three hundred years. What are our Army and Navy but the visible embodiment of the united might of an organised society to protect the lives and property of its individual members against the foreign foe? What are our whole civil government and police but the expression of the superior rights of the community over those of the individual in the whole range of activities taken from the individual and assumed by the community. What are taxes and rates, but the assertion and enforcement of the first claim of Society

to the property of its individual members, so far as the common services require it ?

If the substitution of common action for common purposes, for individual action, for individual purposes is Socialism, then we are far gone Socialists to-day, even the most fossilised Tory among us.

The only real consistent individualist was the solitary savage who steals his wife, hunts for his food, kills his enemy, and probably eats him. That was real individualism, and was the condition of humanity before civilisation began. From that stage to the present, every improvement has been made by men doing one thing after another in common, and doing them better. The boldest step of this kind was taken long ago when the state forbade a man to kill his own enemy. "Vengeance is mine. I will repay," said the law. It then took the best half of a man's life out of his own individual keeping, and committed it to the community. I call that considerable Social Reform, but the Socialist is quite justified in claiming it too. So far we go together.

Then if Social Reform and Socialism both agree, in fact both mostly consist of substituting common action for individual action, in what, you may ask does the difference consist ? Is it just a question of degree ? Is it just that Socialism goes farther than Social Reform is at present inclined or bold enough to go ? I say if that were the only difference then there would be no difference at all, except that the Social Reformer would be a blind fool who did not see where he is going, while the Socialist would be a clear-sighted person aiming straight for his goal. The destination of both would in the end be the same. But I maintain the difference between the Social Reformer and the Socialist, between the Social

State and the Socialistic State is not one of degree, not one of a little more or a little less, but it is a difference in kind. The Social Reformer is governed by a different principle and a higher principle. It will carry him as far, and even farther on a progressive path than the Socialist will be able to go, and it will carry him to a higher goal.

If then the difference is not one of degree but of kind, a difference in principle, what is this great principle? It is just the great principle of Liberty. The Socialist must necessarily sacrifice Liberty for Equality. The Social Reformer, while ever tending towards a real equality will guard as the most precious of possessions his personal liberty. In all the past, at every stage of progress when the community has taken over any department of life from the individual, it has involved some surrender by the individual of a portion of his liberty. It necessarily must have done so. The question the Socialist would ask is, has this surrender of liberty tended to equality? If so it is good. The questions the Social Reformer would ask are not one, but two. Has it tended to equality? Then it is *so far* good. And, more important still, has this surrender of liberty secured a larger liberty for the individual? Has it given him a better and a freer life? *This is the test.* We say our reforms will stand this test. The Socialist's reforms will not stand it. When a man surrendered his liberty to kill his own enemy he gave up freedom to do something which was probably very agreeable, but he gained a security and a far greater freedom than any he surrendered for his own life, he was delivered from a tyranny of constant fears, alarms and precautions. To come down from the remote past to the present,

when a man surrenders fourpence of his wages, he loses fourpennyworth of spending power weekly, so much liberty, but he gains not only ninepenny-worth of benefit, but also a greater freedom, from care, and in the whole ordering of his life ; he has a new point of support, a new resource. Things have become possible under the protection of National Insurance that would not have been possible, or at any rate prudent before. He is a freer man. In every measure of Social Reform which has hitherto been passed in England by the Liberal Party, the surrender of liberty involved has also involved not only some approach to greater equality, but the realisation of a higher and more extended liberty in ordering a man's own life.

This is the great principle of Social Reform—the principle of Liberty. At each step it improves the man's condition of life, but in such a manner as to preserve and enlarge his freedom. And here at last we come to issue with the Socialist. He says " You are sacrificing too much to liberty. You are sacrificing ' Equality ' altogether, and leaving the landlord, and capitalist, and the exploiter, and speculator their precious ' Liberty ' to prey upon the people." Now that is just what we are not doing. If that were true, Social Reform would be an exhausted and dead force. We are doing the opposite. We are freeing the farmer from oppression by the landlord, and the small-holder, and labourer from oppression by the farmer ; we are giving the town worker a basis of State support in old age, in sickness, and in unemployment, which will add tremendously to his power and freedom to face the world—either the capitalist on the one hand, or the hard Poor Law, or the demoralising charities on the other. In all these

things, our reforms tend also to equality, but they not only maintain, they enlarge, liberty. Social Reform is enabling a poor man to stand upright on his own feet, a free man. Socialism would force him to lie down in a procrustean bed, and feed him with a spoon.

But the Socialist may still, and probably will, say, "These are mere palliatives, they are not cures. How far can you go in your direction? Not very far, so long as you stick to that miserable fetish you call Liberty, and I call Insubordination." Now here we come to the root of the matter. I say there is no final limit to the application of Social Reform; there is only one limit, and that is not fixed, but infinitely elastic. It cannot advance at any particular time and place beyond the moral development of the people. It can only proceed on one principle, viz., that as the higher activities of a people develop, so their lower needs may be Socialised. If the State relieves a man of stimulus to individual exertion, to enterprise, to the bracing struggle of competition with his fellows, it has gone too far in that line at that time. But if, by relieving a man of his lower cares, it has set free his higher faculties which were panting for higher uses, the increase of State action has been both materially and morally good, and intellectually beneficial. I will illustrate what I mean. If a Poor Law were established in a community of barbarous and lazy Red Indians they would all go on to the rates, chiefs included, and there would be no ratepayers. They need the stimulus of hunger and starvation to make them exert themselves. They are not morally advanced to the level of a poor law. Again, if, as some people prophesied, universal Old Age Pensions had destroyed thrift, it would have proved that we were not yet sufficiently

morally advanced to be prepared for Old Age Pensions. I believe on the contrary, Old Age Pensions have encouraged thrift, for now a man with ordinary wages for the first time can see the possibility with the aid of the Pension of providing for a comfortable, dignified and independent old age. He may buy a cottage in which to spend his pensioned old age with his children. I believe we were morally fit for Old Age Pensions, and that they have stimulated thrift. In the same way we were morally ready for the Insurance Act. If unemployment benefit would induce men to regard unemployment with indifference, if it would lead them to think unemployment rather a nice trade for a time, then they would be morally unready for unemployment benefit. If sick benefit were to promote wholesale malingering, then the people would not be morally fit for sick benefit legislation. I have heard such benefit called "paying a man to be sick." I regard that as a clever, epigrammatic, malicious calumny. I believe sick benefit will reduce sickness and unemployment benefit will reduce unemployment, and that taken together they add to a man's sense of personal security, and to his freedom to order his own life as he will.

If you have properly appreciated the difference in principle between Social Reform and mechanical Socialism you will see that there is no finality in Social Reform. Given the moral development of the people—that is, given a universal, perpetual, never-satisfied desire for something better than anything that is ever realised, always striving for a better standard of life—more comforts, more leisure, more interests; given this moral atmosphere, then it may be safe to go farther and farther on the same path of Social Reform. I can

imagine a time when such things as heating, lighting, the feeding of children and minimum housing may be as free as elementary education is now.

How demoralising! How pauperising! These are the exclamations which will rise to the lips of perhaps even some here. But that has been the Conservative cry all through history. The progressive party has always had to meet this very opposition. It has always been "demoralising" the people in this way. But the objectors forget the condition and the limits I lay down. It is that for each step, before it is taken, the people shall be morally fit, that is, that they shall not be demoralised, but that they shall be prepared and eager to employ the energy set free from providing the primary necessities being dealt with, more actively than ever in a competitive struggle for higher and better things. I see no limit to the progress on these lines. But ever we shall preserve the spirit of liberty. Without liberty there can be no enterprise, no inventions, no progress, no possessions, no career, no success. And in our Social Reform State, equality of condition, though never enforced, will always be aimed at, always be more and more nearly approached, and never quite reached. If you compare the condition, as we may imagine it, of an ordinary free working citizen in an advanced state of the future, whose motto has always been Social Reform, with that of a working item in a mechanical Socialistic State, in which all land, capital, and instruments of production have for a long period belonged to the State, which do you suppose would be the higher? The latter, the Socialist item truly would have no capitalist employer, but would he have no master? He would live under an iron rule of foremen and officials. Whatever his grievances, what-

ever the tyranny under which he might suffer, there would be no right to strike, no question of "refusing labour," no "down tools." Nothing before him but to wear out his life in the appointed groove, perhaps a pampered slave, but still as much a slave as if on his back he bore the signs of the broad arrow.

How will this compare with the condition of the free working citizen of the Social State—not the Socialistic, State, but the Social Reform State? The stimulus of freedom of enterprise, and properly restrained competition, will certainly have produced a more wealthy community than that of the Socialistic State. We cannot suppose in a settled Socialistic community, improvement will be rapid even if it were to take place at all. Routine would rule, invention would not be stimulated, new methods would not be adopted, old machinery and old methods would not be scrapped. It is difficult to believe, for example, that the motor car could have been evolved and come into use in a Socialistic State, denounced as it was on its introduction as an instrument of selfish and ostentatious luxury on the part of persons inordinately rich. It was not foreseen that these offensive persons were unconsciously engaged in the evolution of the useful taxi-cab and the democratic motor-bus, in short were the pioneers in a beneficent revolution, and the real founders of a new industry—which was destined to add to national efficiency and wealth. Undoubtedly our Social State would be enormously richer than the Socialistic State. Doubtless, the working citizen would enjoy a much higher scale of material living, and probably better conditions and hours of work than the citizen of the Socialistic State. He might have an employer, or he might be

employed in the constantly expanding work of the State. At any rate he would be a free man. With so many of his lower primary needs supplied, or provided for by the State, he would almost certainly be to some extent a capitalist himself. He might choose, for example, either to put his savings into his own house and land, or, say, to provide largely improved benefits for himself and his family from various State agencies, such as that of National Insurance. If so high a degree of theoretical equality were not reached as in the Socialistic State, he would have a far greater sense of personal dignity and liberty, and of the opportunities and value of life.

So far we have considered the condition of the average worker and citizen in the Social Reform State as it will be, and is rapidly evolving before our eyes. Before concluding I must add a few words as to the conditions under which the capitalist and employer will carry on his undertakings. Here the same principle will apply, the principle of Liberty. But here again, from time to time it will be found necessary, as it has already been found necessary, to contract liberty in one direction in order to preserve a larger liberty in other directions. The Social State would not absorb all land, capital and instruments of production, but its functions would grow, and it would be continually taking into its own hands more and more of the ordinary and common services of the community. I would make no rigid and pedantic definition of the proper respective spheres of State enterprise and private enterprise. There would be no rigid limit, but an elastic, progressive, and extending limit. But the great principle would equally apply. The State would not interfere with the liberty of any

class to carry on their business as they might please, except to preserve the security and liberty of the other enterprises of the country. And thus, although the range of State enterprise might and undoubtedly will grow, that very growth will make secure an ever extending range for private capital and personal enterprise.

This is really what we are doing now, but rather tentatively, rather blindly. Even now a monopoly, especially a monopoly of a public utility, we all agree is a proper subject for State control. The elastic Social Reform State would consider any trust or combination which became oppressive and obstructive a proper subject for State regulation, and perhaps State absorption. And this in the interests of liberty and progress. For example, it would not stand aside and permit engineers and shipbuilders to be the helpless victims of a national or international steel trust. It is possible that in some future times the production and distribution of the great semi-manufactured staple articles which are the raw material of higher, more specialised, more artistic products, those semi-raw materials which are the special field for the operations of the trust, the speculator, the corner, may be regulated, controlled, and perhaps absorbed by public authority. And this, I say again, in the interests of liberty to give more freedom, and opportunity, and security, to individual skill and enterprise engaged on higher and more specialised and artistic products. And let us remember it is the latter, the higher, the newer, the finished, the more specialised and individual trades, those which would probably never come into being in the stationary Socialistic State, which are employing a continually increasing proportion of our population, as the new Census will

show you. The principle which will guide our Social Reform State in dealing with industry and commerce will be as always, the principle of Liberty, but as in the Social order the preservation of a higher liberty demands at times the surrender of some lower liberty or property to the State, so in the industrial order, the State may have to assume the control, or even to absorb one of our more primary forms of industry after another to give opportunity and freedom to the rest of the community to whom it had become a tyranny and an obstruction.

I have endeavoured to lay before Young Liberals what I conceive to be the principle of the Social Reform which we advocate, in which we are engaged, and to which we are committed. Social Reform is not a new phrase coined to conceal our surrender to the Socialists or the Socialistic ideal. And those of our friends who are taking fright at what they imagine to be our slide into the abyss may I think take courage. Our ideal is a different ideal, I think a far higher ideal. The difference is that between life, and growth, and stagnation and death. In my view Social Reform, the Social State of the future, pursuing equality, but above all things preserving liberty, offers to all classes, and especially to the working classes, a fairer prospect of a higher, more civilised, more interesting, and above all a freer life, than does any mechanical, stationary, stereotyped Socialistic State.

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